Gold

January 1977 - October 1977
The Chamber of Mines is likely to make further representations to the Reserve Bank and Treasury over the question of an agterskot to the gold mines. It will be doing so in the knowledge that the authorities do not accept the principle of any such payment, which would arise on gold taken in reserve at a time when the market price was above the official price. But the Chamber has maintained careful records of what mines produced what over the period when gold reserves were built up, and hopes that there is some chance of its representations succeeding.

Agtergskot: its merits when it arose.

The issue could arise this year in various ways:
- The reserves must have been fully depleted at the end of the year, but it is not clear yet how the Reserve Bank will handle the situation without implications in other areas. Perhaps this is related to the Mozambique convention.
- The gold swap arrangement last year was not deemed to be a sale of gold from reserves; therefore, the mines were not entitled to any premium of the kind which would have arisen had the gold been sold. But if for any reason the swap facility was not extended, the gold would effectively be sold and the Chamber could argue that the reasons for the gold reserves remaining the premium — the margin between the R28.30/R29.55 per oz the mines received initially and the premium which the gold is eventually sold.
- Regardless of what happens to the swap gold, the remaining gold content of the reserves may be run down during 1972, in which case the mines would be entitled to the premium, based again on the Chamber’s records, on a first-in-first-out basis.

The sum involved is large, as it amounts to about 7m oz of gold worth just under R600m at the current price. But of this the mines have already received R200m, which represents about 34% of the official price element. The R600m balance would be subject to tax at the mines’ top marginal rate, which, in the case of the mines with the most onerous lease formula, is about 74%. However, that could still leave a sum upwards of about R150m for distribution to the mines.

Sources in individual mining houses do not privately hold out much hope of this sum being forthcoming in the present economic climate. All the same, collectively the Chamber thinks differently, even though the Reserve Bank and the Treasury do not accept the principle of the “trust” gold, as the Chamber calls it, which arose from the gold reserve increase after May 1972.

One possibility is that the agterskot will be allowed subject to some kind of provision that it should be used for development of the mines, not for full distribution. Another is that an agterskot will be approved for payment to the mines if and when the gold is ultimately sold, a process which could take years.

### Detailed Gold Reserve Movements

<table>
<thead>
<tr>
<th></th>
<th>Values Flm</th>
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<td>April 72</td>
<td>333</td>
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<td>May</td>
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<td>July</td>
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<td>December</td>
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<td>652</td>
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<td>605</td>
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<tr>
<td>Increase</td>
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*At June 30 per oz
*At December 31 per oz

Before allowing the 5m oz gold swap last December.

In May 1972, when the policy of retaining gold had just begun, the Chamber complained to the authorities that the mines were not getting the full benefit of the improved price. The Treasury took the view that in terms of the Currency & Exchange Act, any “profit” arising on gold retention would be held by the Reserve Bank for the account of the Government, but it left open the possibility that the legal position would not preclude the government from making a proposal for the Chamber to pass on all or part of this “profit” to the mines. This issue would be judged on its merits when it arose.

### Agterskot Winners

<table>
<thead>
<tr>
<th></th>
<th>Issued Shares</th>
<th>Par value</th>
<th>Loss Capital</th>
<th>Gold output</th>
<th>% of gold output</th>
<th>Possible pro-tax value of agterskot per share</th>
<th>Net value of agterskot</th>
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<tr>
<td>E. Darro</td>
<td>7.80</td>
<td>100</td>
<td>7 926</td>
<td>240 000</td>
<td>20.3%</td>
<td>5.1</td>
<td>55</td>
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<tr>
<td>E. Kils</td>
<td>7.95</td>
<td>100</td>
<td>7 926</td>
<td>240 000</td>
<td>20.3%</td>
<td>6.6</td>
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<tr>
<td>J. Monrow</td>
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<tr>
<td>S. L. C.</td>
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<td>240 000</td>
<td>20.3%</td>
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<tr>
<td>R. D.</td>
<td>7.95</td>
<td>100</td>
<td>7 926</td>
<td>240 000</td>
<td>20.3%</td>
<td>6.6</td>
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<td>J. M.</td>
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<td>240 000</td>
<td>20.3%</td>
<td>6.6</td>
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Financial Mail 14 January 1972
ANNOUNCEMENT BY SENATOR THE HONOURABLE O.P.F. HORWOOD,  
MINISTER OF FINANCE

For Immediate Release

When the new Article 8 of Agreement of the International 
Monetary Fund come into operation, probably before the 
end of 1977, the fixed official price of gold will be 
abolished. In anticipation of this development, I 
announced in February this year that the Reserve Bank's 
gold holdings would, at the appropriate time, be revalued 
at a market related price.

In the meantime, however, the Reserve Bank's practice of 
valuing its gold reserves at the statutory price of 
R19,55 per fine ounce, at a time when the market price is: 
in the vicinity of R130 per fine ounce, is understandably 
making it difficult for the Bank to comply at all times 
with the legal requirement to maintain a minimum gold 
reserve equal to 25 per cent of its liabilities to the 
public less foreign assets.

Under the power vested in me by the South African Reserve 
Bank Act, I have therefore decided to suspend, with 
immediate effect, the gold reserve requirements set out in 
Article 17 of that Act.

ISSUED BY THE DEPARTMENT OF INFORMATION  
AT THE REQUEST OF THE MINISTRY OF FINANCE. 

CAPE TOWN. 25 April 1977.
GOLD - I

$300m mystery

US Treasury Secretary Michael Blumenthal was told this week by his gold policy staff that last year more than 2,2m oz was brought into the US and remains unaccounted for in the normal government inventories of industrial and banking stocks.

This does not mean the gold (market value almost $300m) has disappeared. In some respects the Americans would feel better if it had. What Treasury gold staffs deduce, spokesmen tell the F.M., is that other banks and gold dealers not normally associated with speculative gold trading have eased into the business in the past year and have built up considerable inventories.

This worries the US. Just when the Treasury thought it had weaned US industrial users from building up heavy inventories, SA's Chamber of Mines launched its successful marketing drive in 50 of the largest cities to create a demand for Krugerrands. In January-November 1976, the Treasury reveals, 1.2m gold coins were imported into the US (90% of them Krugerrands). And government concedes that the blitz of sales from September on could push the final 1976 total above the 2m mark. Worse, Chamber of Mines sales directors in New York pre-

dict a 2.5m coin sales potential for 1977.

This does not mean that the Treasury will hit back by speeding up its sales of bullion (F M last week). The best estimates are that the new Treasury team will need at least three months before they can even schedule a gold sale. A new Under Secretary for International Monetary Affairs must be named. New technical staff must be hired. In fact, there is $5bn worth of rollover Treasury securities coming due, and Blumenthal and his aides must put this package together in just three short days.

But the disclosure does add pressure on the Carter administration to do something about the rising inflow of gold, presuming the new President has the same distaste for it that Republican presidents had.

The bank says that until 1980 the gold price will stay at around $130 and will subsequently be determined primarily by the role the metal will play in the monetary system.

One element on which the Belgian bank bases its conclusions is the supply of IMF gold. It says some 121 t were sold by this source last year, about 196 t are due to be auctioned in each of the years 1977, 1978 and 1979 and a further 26 t will be supplied in 1980, when the auctions come to end. Additionally, the Fund will in the same period dispose of a further sixth of its gold stocks, returning 6,25t oz per year for four years to members at price of $42,22 oz.

The bank thinks part of this gold — albeit not a very substantial part — may be offered to the free market should countries with balance-of-payments difficulties want to counter their deficits by gold sales.

The industrialised countries, however, are expected to continue to attach importance to large gold reserves in order to have a sort of collateral on hand. Some developing countries might decide to sell, but gold-reserves of such countries are relatively small and any sales on their part would probably be wholly or at least partially "neutralised" by purchases on the part of other central banks.

Assuming relatively steady supplies of SA and Russian gold over the coming years (700 t and 200-250 t respectively), Kredietbank puts total world supply at an annual 1 250-1 380 t.

On the demand side, industrial users, particularly jewellers, are expected to be pillars of demand, given a continued modest economic upswing. A stabilisation of the gold price would also make the chance of a gradual improvement in gold coin demand "not improbable".

All in all, the bank foresees little tension between supply and demand in the coming years and thus not much change from the present price level — though short-term fluctuations cannot be discounted.

In the "very long-term" Kredietbank sees gold threatened by complete exclusion from monetary reserves and a possible price collapse. But this would happen only in the case of a stable international monetary system being created with a payments medium recognised and enjoying unlimited confidence throughout the world. And that, say the Belgians, is not in sight today — not even in the long term.

GOLD - II

Sticking at $130

Has gold reached its price ceiling in the medium-term? According to a report just released by Kredietbank in Brussels it has.

Krugerrands . . . prompting a fit of US pique

The 1.4m oz the US will receive from the International Monetary Fund's restitution programme this month more than offsets the gold the US sold in 1975. With industrial demand rising from a 2.4m oz annual rate at mid-1976 to 4m oz at year's end, plus the rising sales of Krugerrands, the US is once again faced with a drain on its official payments that the Treasury has vowed to oppose.

And the thought that somewhere in the vaults of gold dealers and commercial banks around the US there are 2.2m oz that cannot be pinpointed, is the sharpest prod of all.
Annual income from gold sales

The MINISTER OF FINANCE:

What has South Africa's annual income been from gold sales since 1973?

South Africa's receipts from gold sales (coins and gold bullion) to foreign countries since 1973 have been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
</tr>
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<tbody>
<tr>
<td>1973</td>
<td>R1 790 million</td>
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<tr>
<td>1974</td>
<td>R2 565 million</td>
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<tr>
<td>1975</td>
<td>R2 530 million</td>
</tr>
<tr>
<td>1976</td>
<td>R1 768 million</td>
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</table>
Gold's sudden comeback

Is the price sound or speculative? Here are some views

The price of gold is an international anxiety index

- J Aron & Co, New York's biggest gold dealer

Does this week's gold price surge mean that financial blood pressures are rising? While many technical factors have contributed to bullion's improving fortunes, including strengthening industrial demand, more and more US analysts are predicting that an increasing concern about some of the longer term economic problems will be a bull factor for gold.

Let's look at the scenario:

First and foremost is that President Jimmy Carter is having difficulty convincing the markets that he is not leading the US economy on an inflationary course.

Though committed to balancing the Federal Budget by 1980, he is proposing record deficits this year and next. Meanwhile Congress is adding to his spending on Federal job creation programmes, while cutting out efforts to stimulate productive industrial investment with tax incentives.

Dr Arthur Burns, the tenacious chairman of the Federal Reserve Board, has not helped confidence by saying publicly that no additional stimulus is needed in the US this year and warning that US banks are becoming over-extended abroad.

Then, last week, West Germany flatly refused at an OECD meeting in Paris, to stimulate its economy further — as President Carter wants as part of his plan for the stronger industrial countries to create a more expansionary environment.

The Germans predictably pleaded the risk of inflation, but many officials fear that if the stronger countries do not move now, the weaker inflation-ridden industrial countries like Britain, France and Italy, will lose their nerve in the face of rising unemployment and adopt more reflationary policies they can certainly not afford.

There is also growing concern about the renewed strength of Opec, which is showing signs of healing the split that occurred over the last oil price rise. The fear, increasingly expressed by oil analysts in the US, is that Opec will increase the price of oil every time the world economy strengthens, so pushing it back into another bout of inflation and recession.

"We must impress on Opec the seriousness of continued price rises for the stability of the world of which they are an integral part," emphasised Dr Alan Greenspan, President Ford's chief economic advisor, at a New York conference last week.

So much, then, for the macro-economic pressures on gold. The technicalities are also intriguing.

Firstly, the central banks' two-year agreement in 1975 not to buy additional gold on the free market expires later this year. Unless extended, the major banks will be free to buy and sell as they please.

Already the big London bullion house of Samuel Montague — among others — is speculating that they may then try to stabilise the world price, especially to prevent big falls.

Then there was last Wednesday's auction by the International Monetary Fund. This was the first of the monthly offerings of 525,000 oz (replacing the previous 780,000 oz sales held every six weeks since June).

Even before the sealed bids were opened, rumours were buzzing between New York and London that a single bidder was attempting to make off with the entire offering — a fact which, when the IMF released statistics on the bidding and price spreads, appeared to be confirmed.

There were only seven successful bidders and four of them were Swiss banks. Seven of the 14 accepted bids were concentrated in the $146-$146.99 range, which was well above the $145.50 price.  

Arthur Burns (inset) . . . US inflation could spell a bull market for the yellow metal
year,” says Tony Charles, deputy MD of GEC. “And since then the economic downturn has kept people from buying.”

In fact GEC’s production of household appliances is currently 40% below its peak at end 1974. Charles is hopeful that there won’t be further deterioration: “I think we have reached the bottom,” he says.

The motor industry is undoubtedly the most bitter at the latest turn of events. In a market where the volume of sales has declined by over 17% in the past year, sales tax increases will force price rises of up to 2%, which can only further depress sales.

Despite a decision by car manufacturers to work short-time, and the consequent loss of 4,800 man hours during 1976, 6,000 workers (more than 15% of the labour force) were laid off.

“Car manufacturers are astounded that government should have seen fit to impose still further burdens on one of the industries hardest hit by the recession,” says Leo Borman, president of the National Association of Automobile Manufacturers (Naamsa).

Peter Ray, General Motors public affairs manager, echoes these sentiments: “I don’t know how many more burdens the motor industry can bear,” he says. “Monday’s news was unanticipated and quite shattering.”

Are there any bright spots?

“The food market has remained fairly buoyant,” says Geoffrey Wilson, MD of Food Corporation, and liquor sales have been moving ahead.

“For the financial year ending this March, beer volumes will have shown a real increase of above 8%, says Selwyn Macfarlane, group financial manager of SA Breweries. “No matter what happens in the economy, liquor — especially beer tends to plough on.”

This year, though, growth won’t be as rapid. This week’s customs and excise duty increases of 2.6c/l together with other recent price increases, “must certainly cause real growth to level off.”

Not all sectors depend on consumption demand. It is investment that is the lifeblood of some, and real fixed investment fell by more than 5% during 1976.

“In general, production in the metal and engineering industries is in a decline, further reducing an already low level of capacity utilisation,” reports Sefsa’s Errol Drummond. Even attempts to maintain production through exports are proving difficult.

Difficult, but not disastrous. However, it is disaster that threatens some sectors of heavy industry.

The building industry is almost on its last legs (PM Feb 25) and it seems as if civil engineering is not much better off. “Capacity utilisation declined by 15% in the course of 1976 and spare capacity is increasing monthly,” says Kees Laguna, director of the SA Federation of Civil Engineering Contractors. Between February 1976 and February 1977 the industry retrenched 20,000 workers and still more will lose their jobs this year.

“With the slowdown, many companies are finding the going difficult and are being forced to tender for work at near suicidal prices. We can but hope that there will not be too many casualties.”

Can Finance Minister Owen Horwood reactivate business in his Budget?

At just under R700m, total gold and foreign assets are still dangerously low and any rise in imports (which must come with an economic upswing) without a corresponding export improvement could erode the reserves further.

However, bright export prospects may provide him with the opportunity to temper his caution. Mining and agriculture still provide the bulk of export earnings and — in contrast with the rest of the economy — conditions are favourable in both.

With the gold price currently a glittering $147 and international demand for base minerals strong, the outlook is certainly not gloomy, says government mining engineer Neville Orsmond: “We needn’t worry about mining. It can certainly hold its own.”

The picture in agriculture is also fairly rosy. Chris Cillie, director of the SA Agricultural Union, says: “If nothing goes wrong between now and April we will have one of the best agricultural years in our history.” Large export surpluses, coupled with high, and apparently firm, agricultural prices will contribute substantially to foreign reserves.

Perhaps these are the reasons for glimmers of business optimism through the gloom. Some business spokesmen are even prepared to put a date on recovery. “Some small upturn is possible during the third quarter this year,” says Drummond. But he stresses: “If it is not export-orientated it will only be fractional.”

Selwyn Macfarlane expects “a definite pick-up in confidence by the third quarter” and feels a recovery “could continue through 1978 and into 1979 — assuming no significant political or social disturbance.”

Let’s hope the optimists are right.
that gold rose to at the Wednesday afternoon fixing in London that day.

The FM’s Washington correspondent, shown detailed IMF statistics which break down the bidding between the $146.99-$146 range into 25c segments, reports that three bids stand out. They are one for 300,000 oz and two each for 100,000 oz. All three came from the same Swiss bank and represent all but 5% of the gold on offer.

Further, there is evidence that the Bank for International Settlements has been an active buyer of gold from the poorer members of the IMF, which were among the recipients of more than 5m oz handed back by the Fund as part of its restitution programme.

Exactly how much restitution gold did the BIS buy? It need not have bought much since the lion’s share of the 5m oz restitution went to the major industrial powers which contributed the bullion in the first place. In all, perhaps slightly more than 2m oz actually went to the 80 or so poorer member nations.

Equally important is industrial demand which dominated gold consumption last year. This resulted in a shortfall — total fabrication was about 1380 t while total supply was some 1300 t. About 80% of this is going into jewellery.

This year, says Intergold general manager Don Mackay-Coghill, industrial demand is especially strong in Europe and the Middle East, the latter having established manufacturing companies.

According to other sources, there is currently strong industrial offtake for jewellery in Europe to meet summer demand, though this should slacken around July/August. There is also jeweller-cum-hoarding demand in the Middle East; the Far East has become very active, with speculative overtones; and there are signs of embryo investment buying in Germany, France and even in the US.

Nevertheless, it’s most unlikely that industrial demand alone could keep the gold price much above the $135-$140 price range, so its climb to $148 this week clearly indicates investment/speculative buying.

Nor has all this been from Europe, where the Germans have been prominent. There are signs that the Americans are moving in — for instance Tuesday’s price movement back up to $148.25 in the afternoon after slipping in the morning.

What does worry the gold bugs is the relatively sharp upward trend, which many believe could still make $150 and break through. Had this been more gradual, say hitting $148 towards the middle of the year, the base would be scoured. As it is any accelerated price increase is likely to frighten the speculators and bring about the usual over-reaction — seen in Wednesday’s near $2 fall. It would also bring the US Treasury back as a seller.

Views of $160 by the end of the year are still those of brave men — and fortune-tellers.
Gold at $152 as US shies off early auction

BY NEIL BEHRMANN
LONDON. — Encouraged by reports that the United States Treasury will not hold a gold auction soon, speculators and investors pushed the gold price above $150 in London yesterday.

By the morning it was fixed at $152.30 — nearly $3 up on Tuesday's second fixing of $149.70. The afternoon fixing was $153.20.

Krugerrand sales rise

OVERSEAS Krugerrand sales rose to 227,000 coins in March from 207,000 coins in February and compared with 221,000 coins in March last year, says the manager of International Gold Corporation Ltd MacKay-Coghill.

He says the increase can be attributed to the rise in the gold price. Total March sales were 227,000 coins — 227,000 coins overseas and 10,120 in South Africa. The total February figure was 221,000 coins — 186,000 and 35,000.

Sales so far this month have declined, but it is too early to predict what the monthly figure will be, especially given the current level of the gold price.

As in the past, any movement in the gold price tends to reflect in the sale of coins, which accounts for sales in the early part of April being lower.

He says sales in the United States have fallen following the end of the advertising campaign there.

During the campaign 'spontaneous' sales were in evidence.

In spite of the current fall-off, sales are greater now compared with before the campaign in the three months to Christmas. A further campaign is likely for the United States, but no decision has been made. March sales were fairly evenly spread over traditional markets — Switzerland, Germany, and the United States, with Switzerland's offshore is small and most of the overall off-take finds its way to the United States and other markets.

Intergold plans an advertising campaign in Germany in a smaller than in the United States. It will begin on April 25. This campaign will use television.

Because of economic conditions, overall sales for 1977, will probably not increase over 1976's 3,004,946 coins. — Reuters.

Demonetisation still policy

WASHINGTON. — President Carter will continue the United States policy of demonetization of gold, says the Treasury Under Secretary for Monetary Affairs, Mr Anthony Solomon.

The United States will auction more gold in the future, but sales will not be based on any theory of what gold prices should be.

Mr Solomon explained a continuation of the Ford Administration's policy in a letter to Mr. Henry S. Reuss, Democrat-Wisconsin, chairman of the House Banking Committee. It said:

"The United States position that it will sell from time to time in order, for example, to help meet United States demand for imports of gold, is appropriate and supportive of our objective of phasing out the monetary role of gold." Although the Carter Administration believes gold reserves should be sold, Mr Solomon said there were no immediate plans for an auction.

"We are not scheduling a further auction at this time, but we will keep this matter under continuing review." — EPA.

Consolidated Gold Fields, Samuel Montagu and Moscow Norodney buy gold for US and UK investors.

"We believe that gold is a valuable asset that can be a hedge against inflation and political uncertainty. We expect to see a steady demand for gold in the future."

The brokers believe the price could fall to $145 over the next six months and rise to $165 in the final quarter of 1977.

Struass Turnbull estimates that Western consumer demand this year will be 1,450 tons, and Western production and IMF sales will supply 1,100 tons.

The brokers believe, however, that gold and uranium shares will generally appreciate further on prospects of higher dividends.
Golds’ firmer trend

The JSE was subdued and despondent until Wednesday, when bullion leapt from $159.70 to $152.20 on news that the US Treasury is not to hold a gold auction for the time being.

US Treasury Under Secretary, anthony Solomon, has told Henry Reuss, chairman of the House Banking Committee, who had requested an auction, that while the US wanted gold phased out of the international monetary system, it did not want US action on gold sales to "imply the US had objectives with respect to the price of gold or views on the appropriate price of gold".

The matter, he said, was under continuing review. The timing of future gold sales would take into account US demand for gold imports, the IMF sales programme, the need for other countries to sell gold for balance of payments purposes and the US's desire to phase gold out of the monetary system. He said that, as far as the US was aware, there had been no efforts to peg the price of gold or to use gold in settlement among monetary authorities.

The result of the hardening bullion price was a firmer trend among JSE golds. There were no spectacular gains, however, and few ended the week higher than they had started. The RDM gold index fell from 164.6 to 163.5 from Tuesday to Tuesday but on Wednesday hardened to 168.1, which was a 3.9% improvement on the previous Wednesday. Once again, it seemed, overseas investors preferred gold to JSE golds due to political concern.

Of 43 trades recorded shortly before the close on Wednesday, 35 were harder and three softer. After softening from 3.900c to 3.785c from Tuesday to Tuesday, Randfontein recovered on Wednesday to 3.825c. Freguls slipped from 1.800c to 1.775c but recovered to 1.800c. RDM 100 retreated from 170.3 to 169.8 on the week on minimal trade, while the coal index sank back from 371.9 to 369.5. The new lows list was once again riddled with blue-chips.

Gefco rose strongly from 1.475c to 1.600c following the announcement of the 5-for-1 split but retreated to 1.575c on Wednesday. Hubert Davies improved from 145c to 205c in response to the Blue Circle offer. Bestor put on 4c to stand on 30c but fell back to 28c, presumably as a result of the $30m contract it won last week.

Protea Assurance improved from 60c to 70c, which seemed contradictory, in view of the company's "worst results in a decade" released last week. It was only a 500-share deal that hardened the price, though. Someone presumably thinks the series of disasters that overtook the company last year cannot repeat itself.

The institutions were to meet Senator Horwood for clarity on their government stock and approved security commitments on Thursday. Several brokers were quite elated on the eve of this meeting, saying their sums suggested that the R570m demanded from the institutions by the Budget meant only R80m to R100m more than last year and this meant there would be plenty of cash left for equity.

Two fund managers were not impressed, saying the market was where it was for very good political and economic reasons and these had not changed for the better. Podgorner, Carter, Andy Young, Dr Owen and the "Big Five" ambassadors were all bad news, they said. The would opt for gilt and semi-gilt in preference to equities, even after they had fulfilled their Budgetary obligations. They were also unimpressed by the low 11% interest rate on the most recent RSA issue.

That's not market related. RSA has a captive market," said one. "Wait till we hear about the success or otherwise of the Edgars participating pref's. That'll be a better indicator."

David Carter

SIGNPOSTS FOR INVESTORS

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<th>Year ago</th>
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<td>1693</td>
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<td>-15.2</td>
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*Standby & Pour index

Public buying price is 100% below, subject to negotiation

LEADERS & LAGGARDS

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Another source of foreign cash

SA badly needs all the foreign exchange it can get. Selling gold from reserves would help

The Reserve Bank's gold sales policy is dictated by three basic considerations - the country's foreign exchange needs, the profitability of the gold mining industry and the state of the international gold market.

Over the past four years, these considerations have prompted the Bank (as the Chamber of Mines' selling agent) to sell all the gold produced by the mines. They have also restrained it from selling gold from official reserves.

Is it time to switch tactics? Perhaps.

"I hope that our authorities will sell gold out of reserves whenever the market is particularly strong, in order to raise the foreign exchange component of our reserves", urges Santam International's MD, Robert Smit. A London bullion dealer tells the FMI that "a natural seller could put some gold on the market without problems".

Those who support these views claim the rise in the bullion price from $135 an ounce at the start of the year to over $150 is evidence that the market could for the time being easily absorb some sales from SA's reserves. They point out that jewellery demand is still high and that many dealers have three to four months' advance orders from industrial users. They also point to SA's paltry holdings of foreign exchange.

Though few would contest that gold is a valuable asset, it is also an illiquid one. Under normal circumstances, gold cannot be used at its current market price to settle trade debts, pay interest on loans or redeem foreign borrowings. What's needed is hard cash - pounds, Deutschmarks, dollars and francs.

The Reserve Bank's foreign exchange holdings currently cover about three weeks' imports. True, the balance of payments is improving. But with the need to repay vast foreign loans, and the chance that the capital account could deteriorate without warning, it is surely advisable to have more foreign exchange in the kitty.

The vagaries of the gold market and the possibility that SA might at a later stage be forced to sell gold into a weak market are added incentives for Pretoria to sell out of reserves while the going is good.

Further gold swaps - as an alternative to sales - to increase the liquidity of the reserves are out of the question, if only because the parties to the swap negotiated last March would presumably object.

The mines, of course, stand to benefit considerably from sales from reserves. Though government has rejected the mines' pleas for a share of the profits that will accrue when the gold reserves are officially revalued (probably in September), Pretoria could go some way towards pacifying them by selling some gold from reserves now, for which the mines would immediately get the full market price.

Admittedly, there are several telling arguments against selling gold from reserves. Amongst them:

- Under the Reserve Bank Act, at least 25% of the Bank's note issue and other liabilities to the public must be backed by gold reserves. With the ratio at present hovering just over the minimum, there isn't much scope for further gold sales, at least until the reserves are revalued at a market related price. Until then, any saleable sales from reserves would presumably require an amendment to the Act.

- Such a strategy might tempt the Russians to return to the market in force at an early date, fearful that a regular programme of sales from SA's reserves would saturate the market.

**Diagram:**

A NEW BALL-GAME NOW

SA Reserve Bank: Holdings of Gold coin and Bullion

- valued at R24.80 per oz
- valued at R28.30 per oz
- valued at R29.55 per oz

Including gold swap

Excluding gold swap

Financial Mail April 22 1977
Only a fraction of the gold, restored by the IMF to central banks, has trickled on to the market. Should SA resume sales from reserves, it's feared other central banks would also take advantage of a receptive market, thereby depressing the price and, in the long term, giving them less of a vested interest in a high and stable gold price.

At present, the Bank sells its gold exclusively through Zurich (75%) and London. Some argue it could sell from reserves more easily by taking up the offers it regularly receives from other countries, notably from German banks and US dealers.

However, because of high transport costs, these prospective buyers are unable to match prices offered by Swiss and British dealers. There is also the problem of arranging suitable transport facilities to other centres.

Many of these arguments boil down to a fear that the world's leading gold producer cannot afford to be seen "manipulating" the market. As one Johannesburg economist puts it: "You shouldn't run your country like a bargain basement".

Yet those who support this view seem to forget that the last time SA's balance of payments was in deficit, Church Square sold gold from reserves without upsetting the market.
Indeed, it can be assumed that the swap was negotiated as much to find the wherewithal for loan repayments as for the reason given by De Jongh — "to make advance provision for any possible adverse effect on foreign capital movements of the anticipated seasonal increase during May and June in net bank credit to the government sector."

For a number of reasons, the second quarter will be a difficult one for the balance of payments. The seasonal jump in government spending may put a brake on the recent decline in imports, while liquidity flowing back into the economy (despite the recent freeze on bank's credit ceilings and government's loan stock)

GOLD SWAP

Everything must go?

It's a sad reflection on the state of SA's balance of payments and foreign reserves that after nearly three years of recession, the Reserve Bank feels obliged to mortgage nearly a quarter of its gold holdings. Not that there were many alternatives to last week's gold swap. The swap — which many observers thought Church Square was both unwilling and unable to conclude — is in some ways preferable to selling gold out of reserves, since the latter could upset the bullion market (PM April 22). On the other hand, it means an interest burden (in effect, the difference between the spot selling price and the forward repurchase price) and the risk that the parties involved may at some stage refuse roll-over facilities.

The swap involves just short of 3m oz (compared with the 5m oz deal concluded last March) and cuts the Reserve Bank's gold reserves by nearly 30% from 394.4 t to 302.1 t. Assuming the deal was arranged at a price of $130/oz (the Governor referred merely to "market related prices"), the total value involved is around R340m (nearly R500m for the first swap).

But total gold and foreign exchange reserves rose last week by only R94.4m (to R756.9m). As Dr De Jongh explained on Monday, the balance of the swap's proceeds was used to repay foreign loans.
GOLD RESERVES

Legalising revaluation

Government has taken one step closer to revaluing its gold reserves at a market-related price. The Reserve Bank Amendment Bill provides that “all gold of the Bank shall be valued at such price ... as may be determined by the Minister after consultation with the Bank.”

As expected, the Bill puts the seal on the mines' bid for a share in the revaluation: "All gold of the Bank shall be for the profit or loss of the government."

A new Gold Price Adjustment Account is to be established. It appears this Account will be funded from:
- Differences between the free-market price paid to the mines and that at which gold in the reserves is valued;
- Any book profits from further revaluations of the gold reserves (the Account would be debited if there was a downward adjustment).

The Bill also provides for Foreign Exchange and Forward Exchange Contracts Adjustment Accounts. These Accounts will be credited (or debited) with any profit (loss) incurred by the Bank as a result of movements in the exchange rates of currencies held by the Bank or in which forward contracts are denominated.

Profits from these three accounts may "at such times as the Treasury and the Bank may deem desirable" be paid into the State Revenue Fund. Or they may be credited to the National Supplies Procurement Fund.

When the Bill becomes law, the public will no longer be told each week the level of gold and foreign exchange reserves. From now on those details will only be released at each month-end. The idea is to dampen speculation (particularly from abroad) which apparently sometimes follows purely technical or seasonal weekly movements in the reserves.
Gold glisters

The price is going to go up. By year-end it could be $160-$180

The gold price, averaging about $140 so far this year, has been relatively weak for the past two months. But a bullish scenario is gradually building up for the rest of the year, continuing into 1978.

Consolidated Gold Fields, which produces by far the best annual review of gold, says in its latest, Gold 1977, published this week, that "the market may well be at the threshold of a new investment-led price cycle". Even if the price averages no more than $140 for the rest of 1977, SA's gold revenue will reach a record R2.800m.

The key to new investment demand lies in the US economy, and in international investors' perceptions of the strength (or otherwise) of the dollar, for both of which the latest indicators are hardly encouraging. US Treasury Secretary Michael Blumenthal has forecast a trade deficit of $23 000m this year, while the April deficit was $2 400m. Interest rates have recently hardened and inflation is rising; the Dow has fallen below 900. As so often in the past, US economic planners are at a critical point: either stimulate and risk higher inflation, or do nothing and risk a recessionary downturn.

As in the past, too, an each-way case can be made for gold. In recession, it is the only asset which does not default, and is the ultimate means of liquidating debt and restoring economic growth. In inflation, as the only monetary asset whose supply is not controlled by the printing press, it should rise in proportion to the depreciation of paper money values. Other commodities perform this function, but gold is simpler to store than, say, hog-bellies.

Cons Gold's analysis of supply and demand trends (see diagram) shows that net private purchases -- the catch-all figure, including industrial, coin usage, and investment or hoarding demand -- reached its highest level in 1976 at 1 448 t, since 1968. Supply was augmented by heavy USSR sales (412 t), the highest since 1963.

In 1977, the researchers expect little change in Western mine supply, but they think USSR sales could be down to 200 t. The prospects of a lower level of USSR sales have been strengthened since the Cons Gold report was written, by estimates of a good grain harvest. A full year of IMF sales will add 200 t to supply. So Cons Gold puts total supplies at a maximum 1 500 t in 1977 and a minimum 1 250 t.

On the demand side, the key factor in 1976 was the emergence of tremendously strong demand from the Middle East and Iran. Including supplies for inward shipment to India, these countries absorbed 400 t, plus a further 80 t of gold jewelry, a third of total supply. This, the report says, is due to "the phenomenal increased purchasing power throughout the area", both among the local population and migrant workers. In 1977 Cons Gold expects gold supply and demand to balance out at about $140 on the basis of supplies at the upper end of the range, that is 1 500 t, with 200 t of net investment/hoarding purchases. If, as seems likely, supply is below the top estimate, the price will tend to rise to compensate.

Investment/hoarding purchases of 200 t do not seem unduly high, though Cons Gold's estimate of this category for 1976 is 89 t. However, during the gold boom, the figure went as high as 546 t in 1973.

The problem with investment/hoarding purchases is that they tend to rise when industrial demand is weak, illustrating the contra-cyclical forces at work in the gold market.

The US Treasury, with its immense gold reserves and its strong demand from the Middle East, remains a prospective seller. The threat of a sale, during March, in letters exchanged between Congressman Henry Reuss and the Treasury, was enough to pull the gold price back from its 1977 peak of $154. With US gold imports running at more than $400m, the Treasury can easily justify auctions to meet internal demand, though it will not wish to reduce too drastically the trust fund proceeds being channelled to the developing countries from the continuing IMF disposals.

So the key factors for gold in 1977 seem to be the strength of the Middle East and the level of investment demand, in turn closely related to US economic trends. A setback below $140 is possible. At the FM we believe it would be short-lived and the balance of probabilities is for a gradual rise up to the year-end, perhaps to somewhere in the $160-$180 range.

Counting bullion bars...more going to the Middle East
IMF GOLD SALES
Will the US hit back?

It appears that the International Monetary Fund is daring the US Treasury to begin its own gold sales in competition with the Fund. This week the IMF announced that delivery of its July sale of $25,000 oz. of bullion will be taken in Paris from the Bank of France. And the Fund directors plan that the next sale, on August 3, will require successful bidders to take their gold from the Bank of England in London.

This switch of delivery point from the New York Federal Reserve Bank violates one of the prime conditions that Treasury staffers set for not holding American gold sales - that US industrial buyers have ample opportunity to take shipments from the IMF instead of importing bullion. The Fund excuse is that the American jewellery industry by tradition shuts down during July and August. - but that ignores the larger European rush to the seashore that shuts down everything else as well.

The real motivation, some analysts have told the FM, is that the IMF forecasts a continued sag in bullion prices through the summer with an upturn later in the autumn as industrial use perks up. By moving the delivery place to Europe for two successive sales, the IMF is offering its steadier customers in Switzerland, Germany and the UK an inducement to continue spirited bidding through the summer and so avoid a real bear market.

If correct, it is an illustration of the conflict within the IMF to demonetise gold and yet to help the Fund's poorer member nations through the gold trust account.

Also it may well be the deciding factor in getting US Treasury Secretary Michael Blumenthal to agree to his staff's plans for a series of American sales starting in October.
Vraag na goud neem toe
Van ons Korrespondent
LONDEN

DIE vraag na goud is besig om toe neem, volgens die Goudinstituut. Op die jaarvergadering van hierdie organisasie verlede week in Toronto is daar gesê dat die vraag na goudmunte toeneem, terwyl nuwe aanwendings in die nywerheid daagliks groter word.

Verlede jaar is 13,5 persent van die nuut ontginde goud van die Vrye Wêreld gebruik vir die mint van oue munte. Dit sluit Krugerrande in. Daar is teen 1,4 miljoen ons vir goudmunte gebruik.

Volgens die besturende direkteur van die instituut, mnr. Richard Davies, is die rol van die goudmunt besig om te verander. Dit is lank nie nie 'n gevestigde
geldeneheid nie en neig nou om soos 'n rentekrise en die beheer van regerings op die geld in omloop 'n monetêre instrument te word.

Hy het Suid-Afrika, Oos-
tenryk, Kanada en Rusland as voorbeeldige gebruik en hy sê dat die aanduidinge is dat hierdie soort internasionale benutting van goudreserwes gaan toeneem omdat dit 'n baie bruikbare middel is.

Isolator
Behalwe Suid-Afrika se uitgifte van Krugerrande wat natuurlik die land se buitelandse valuta-reseer- sterk gestoot het, het die Russe blykbaar verlede jaar sowat 70 miljoen dollar verdien deur sowat 1,4 miljoen munte in Amerika en Wes-Duitsland te verkoop.

Maar die belangrikste is dalk die instituut se voor-
spelling van ander ge-
bruikte vir goud in die nywerheid. Behalwe die ander handelsaanwendings is goud blykbaar 'n baie geel isolator. Met die styg-
ing in die koste van energie raak die verhitting van geboue al hoe duurder. Argitektes en ingenieurs kyk nou al hoe meer na glas wat met goud behandel is om die isolering van nuwe geboue te verbeter.

Agting
Die Goudinstituut is in baie gevalle 'n heel eienaardige organisasie. Hoewel hy nog nie lank bestaan nie, behoort nie een van die wêreld se twee voorste goudproduente, Suid-Afrika en Rusland, daaraan nie.

Nie een van die Amerikaanse my-
nantskappe is lede nie, maar die hoofkantoor is in Washington. Onder sy lede tel egter die meeste groot goudhandelaars, waaron-
der byvoorbeeld Londen se Samuel Montagu.

Daar is reeds genoeg ag-
ting vir die instituut om 'n uitwerking in die handel in goud in Londen te hê op die goudmark en die effek-
teurs.

Die Londense goudprys het bestendig begin styg sedyt die instituut se voor-
spelling verlede week tot die huidige vlak van sowat 144 dollar per ons.

Goudaandele het ook heel stewig begin vertoon op die Londense Effek-
teurs.
BY JEREMY WOODS

move say Swiss

Gold: Arabs on the

Oil. Rich Arabs are hardly moving their mill.
Gold rises to $146.50 as market awaits auction

By PAUL DOLD
Financial Editor

GOLD pierced the $146 level at the close yesterday undercutting the market view that the International Monetary Fund auction will have a successful outcome. Details of the bid prices at the sale will be released later today.

Bullion closed at $146.50 for a 75c gain on the day after a firm session. The late fix was $146 after the morning’s $145.85. At one stage after the late fix the metal stood at $146.65.

United States futures markets rose again with the August contract on the Comex rising 90c to $147.20. On the other main market the September contract opened in the $147-147.10 range.

Gold is making an unusually strong showing for this time of the year, when the market is usually quiet but the charts indicate a more positive trend after the earlier weakness.

London bullion brokers Sharps, Pixley are forecasting higher prices in coming weeks if the IMF auction achieves a satisfactory result. The firm says it seems the earlier downtrend has been broken with the market consolidating in the $143-$146 range.

If the present trend continues, the Ergo issue has been well timed and there should be fair staging profits.

Gold shares rose in both London and Johannesburg. On the JSE the heavies led the lists with Buffels up 50c, Randfontein 15c, Harties 30c, B Vail Reefs up 35c, and Libanon 25c as was W Hold St Helena and S Vail were up 20c. Leslie was active rising 3c to 46c.

At Lease was run up again closing at 728c for a 40c gain on the day. WR Cons put on 15c. De Beers was unchanged.

Coats were quiet apart from Tavistock which spurred 70c on its excellent profits. Copper fixed with Palamin 10c higher. Platinums shifted a few cents while tins were unchanged. Cons Murch fixed 10c. Both asbestos counters weakened.

Financial miners were firmer with Anglo up 3c to 438 and Angold up 40c.

and the sale

From the Notice Board:

Please note the following dates in your diary:

GGGC: Seven-a-Side Tournament - 7th August
Club AGM - please be sure you're there - 14th August
Ohlson's Tournament - 21st August
Hockey AGM - 18th September

All the following courses in the curriculum for this degree as prescribed, are compulsory.

Seven-a-Side Tournament Arrangements:

Our annual show-piece is once again made possible with the generous assistance of Ohlson's Breweries and will take place on Sunday, 21st August commencing at 10.00 a.m.

Teams: Pool A: Sea Point, Olympics, Pinelands, GDGC, Ohlson's and Constantia

Pool B: Pearl, VOB, Fish Hook, Mutual, WPHC and Bergvliet.

Umpires: are once again being organised by the Umpires' Union with "Husky" Huskisson in charge.

Lunch: is your own affair, but the usual fares will be provided. Snacks, in the form of pies, sausage rolls, peanuts and chips will of course be on sale too for the lame and lazy.

Refreshments will be available in the usual (d)effective form.

......12
GOLD is dead. Long live gold!

This week the world had ample evidence of how dead that intoxicating metal is. At the twelfth International Monetary Fund gold auction, the quantity under the hammer was two and a half times oversubscribed and the price was the fourth highest in the history of the auction system.

So much for the war on gold. And this is the subject of a new book published by the Sandton company, Valiant Publishers. The War on Gold is written by Anthony C Sutton in an easy readable style. Sutton covers ground which will be familiar to chrysophiles South African readers — the history of gold and the lack of success of the paper money debt structure and the determination to eliminate gold from the centre of the banking system — to bring us up to date.

The subject matter may be all too familiar to South Africans but Sutton’s researches have unearthed facets of personalities we know well, Treasury Secretary William Simon and Federal Reserve chairman Arthur Burns, which make for interest.

In bringing his book to the present, the author poses the question: “Is Wall Street prepared to see South Africa become a Soviet colony with South African gold added to Soviet production?” His answer could spark some debate locally.

London-born Sutton, now a US citizen has written a number of other economic books, including Wall Street and the Bolshevik Revolution. The War on Gold is the first volume in a two-part study of the Federal Reserve and the manipulation of our monetary system.

Sun Express Business 7/8/77
GOLD'S A GOOD UN

LAST WEEK'S IMF gold auction realised $35 dollars an ounce (remember that used to be the official price) more than that of a year ago in a bullion market climate far healthier.

Looking back to that time, gold's prospects, to say the least, looked distinctly miserable.

Majority opinion was that it was set to plunge through the $100-a-bar floor and it was only the stout-hearted that suggested that the nosedive would be reversed.

The main reason was the onset of the gold auction scheme launched off 23 million ounces of metal between mid-1974 and 1975 to assist the poorer nations. Nonetheless, no one queried the sincerity of the IMF administration in coming up with such a scheme. But then it got linked with grave suspicions that it was all part and parcel of a deep oil plot by Washington not only to demonetise gold but also to hammer down the price.

This would prove to the world that Lenin was right when he said that eventually its only application would be in the manufacture of pots.

The timing of the first auction was bad, showing once more that all too common long dissonance between many market players and the realities of the market place.

July and August on Europe are the months in which all who can take holidays do; and hence were all kinds of theories over.

As far as investment in gold was concerned, its operators were about as far as the need for the dollar was concerned on the sidewalks as no clear thoughts existed on the prospect of a 2½ year running top of the dollar would have on the supply-demand position. Furthermore, the big jewellery fabricators were also away from the IMF, only the nearest trickle found its way into the open market — and this came from the states that were so broke that they had no other option.

As was the case a year ago, the latest auction coincided with the European holiday season and two main points emerged from its result. Firstly, the average price realised was the same as that ruling in the open market in mid-May, providing strong evidence that the trend is upwards — despite short-term fluctuations. The second is that demand is increasing as mirrored in the extent to which bids exceed offerings last week two and three quarters to one.

It was noted earlier in the year that price and demand could tail off in July and August with speculators waiting less metal but this does not seem to be the case.

How investment and hoarding activities are rising is difficult to determine but they appear to be on the increase.

A possible indicator of this trend is the record sales which in 1974 stood at $376 million in the last month — representing around 15 percent of the total gold output. The silver gold advertising campaign in West Germany contributed to this, but it shows that the currency distortions encourage gold holding.

What tack is gold on in the months ahead? The price could advance is hit bullion market thinking that it could move up towards the next testing point of 150 dollars and if it can survive this, start on the path towards 200 dollars in an orderly manner.

It is this line of thinking plus US economic uncertainties that is largely responsible for the harder trend of gold.

TAKING STOCK: Mac Thrall

of blood to the head and sold off some metal from the US stockpile.

A year has now passed and looked at broadly the picture is greatly changed and not just of a substantial better bullion price.

De faito, the demonstration of gold has got somewhat with the abolition of the 'official' price but de facto it has become more firmly entrenched than ever as the ultimate store of value — both in the international monetary system and in the lifestyle of individuals rich and poor. A particular blow to theorthodox is that the main casualty in the victory of Keynes' 'harbours' relies has been the special drawing right which was to bring order in the international monetary system.

The great glint one time an expertly managed unit of currency would be the ultimate yardstick for measuring value and thus the only reserve currency for trade transactions is as far away as ever — the current travails of the dollar reveals this and in it is crumbling once more.

It is little wonder that central banks are clinging on to the gold content of their foreign exchange reserves and it is
The gold-hungry America doubles its demand

BY JIM STODOL WASHINGTON

Reports on the International Scene

Business Times

Sunday Times, Business Times, August 14, 1977
CONSERVATIVE forces in the United States Senate this week reported a major victory in their battle to restore gold's role in the world monetary system.

US Treasury officials have given approval to three pro-gold force measures that give Congress increased powers to block future sales of bullion either by the Treasury or the International Monetary Fund.

Senator Jesse Helms, leader of the gold bloc in the upper chamber, told the Sunday Times that a bill he introduced in January has finally won Carter administration approval. The bill's three main points would:

* Require that the US representatives to the IMF veto any future sales of gold or the establishment of IMF trust funds to help member nations, unless there is specific congressional approval.
* Require congressional approval before the Treasury could sell any of the stockpile of US-held bullion.
* Legalise contracts specifying payment in gold or in dollars measured in gold.

The last provision is seen merely as a technical remedy overlooked three years ago when the Roosevelt-era ban on US citizens owning gold was lifted in 1975.

Senator Helms told the Sunday Times: "The first provision will effectively block the IMF from moving on to dispose of the remaining 100-million ounces in its care under the fiction that since the first 50-million ounces was permitted to be sold or returned, the rest can be disposed of as well. "And the second provision will force the Treasury to come back to us for approval if they decide to hold a billion sale of our own official gold. I understand there are plans to hold such a sale but I think we have convinced the Treasury that they had better check in with us and take their legislative chances, rather than try to hold the sale and risk the wrath of the Congress after the fact," he explained.

Asked why Carter administration officials willingly gave in to his demands, Senator Helms replied, "they obviously feel they have the votes to get approval for any gold action they want to take -- inside the IMF or with our own gold. And they probably felt that coming back to Congress as a formality would make things more congenial for them."
WASHINGTON — Do you remember when gold was being driven out of the world monetary system? It seems like only yesterday. But today an influential US senator has proposed that the international monetary fund replenish its resources by selling its own securities backed by the 1,000 million ounces of bullion it still has in its reserves.

The senator is Adlai Stevenson Jr, a member of the Senate panel on financial institutions such as the IMF. He made his remarks during a hearing on whether Congress should ratify the administration's proposal for the so-called Witteveen Fund, a $14 billion supplemental credit facility for the 100 or so poorer IMF member nations which suffer severe balance of payments problems.

While administration officials have reacted negatively, Senate sources report that the Stevenson suggestion is "being considered very seriously" by legislators who are tired of appropriating billions of dollars for IMF support.

In an interview with the Sunday Times, Senator Stevenson suggested his idea be given a test period during which a limited issue of IMF gold-backed bonds might be issued on the private markets.

Stevenson conceded that "The IMF probably won't ever get a majority of its money from the private markets, nor should it." But the amount it could raise with gold-backed securities could be in the billions.

Opposition

"Remember the Witteveen Fund was supposed to be nearly $20 billion when it was first proposed. And there is still a need for similar credit facilities for the industrial nations. You would not need to pledge the entire $14 billion gold hoard to raise six or seven billion," he added.

Needless to say there is still stiff opposition to any proposal that would move gold back into the centre of such a global monetary institution as the IMF.

The US centre of that opposition remains the Treasury staff which has waged a relatively successful war to rid the IMF of its bullion holdings and to drive gold out of the exchange rate system as a store of value.

Interestingly however, the Treasury has been forced by tactical considerations to approve recent legislative proposals that would give more control over US gold policy back to the Congress.

And just as interesting was Treasury's response to the Stevenson proposal this week.

Instead of blasting the idea as a re-emphasis of gold in the world system, a top Treasury gold strategist told
LONDON. — At this time last year gold was at the bottom of a two and a half year bear market. Operators were just getting used to the IMF auctions, which were unsettling the delicate balance of supply and demand.

The overall fear was that the monthly IMF sales would knock the price. A year later, bullion dealers in Zurich, London and Frankfurt say that without them the market would be unbalanced and the gold price higher.

"The market is statistically sound," says a Swiss banker. "Industrial demand is solid. The Middle East continues to buy and the market has been able to absorb supplies easily."

The overall view is that gold will soon break the $150 barrier and by the end of the year reach $160. This prognosis does not take into consideration wild speculative and investment demand which could take hold of the market once it starts to move ahead.

But bullion dealers and analysts are wary of forecasting prices much above $160 because political influences could affect the market. Over $160, the US might be tempted to reaffirm its demonetisation policy by selling gold.

Dealers noted the firmness of the gold price a few weeks ago when Europe was in the middle of its rainy summer holiday — a time when industrial demand usually slackens. This year it coincided with Ramadan, the Islamic religious period when little business is done in the Middle East.

Now industrial demand is rising again and Middle East demand strengthening. Any increase in investment demand, which originally appeared when the dollar slumped in July, could tip the scales upwards.

With Germany, Japan, Italy, France and possibly Britain reflationing, European investors could start hedging again.

The US economy is not performing as expected and the Carter administration hinted recently at stimulation. Congress is due to approve budget deficit of about $40-billion which would boost the economy but put pressure on the dollar — to the benefit of gold.

An inflow of migrant workers has contributed to larger jewellery and coin sales in the Middle East. Swiss bankers say that wealthy Arabs are also buying gold.

A German banker feels that inflation will not be the prime factor which persuades investors to invest in gold. He expects more "insurance" buying because of the unsettled political picture in both the industrialised and developing nations.
Banke kan ingryp

SAKE-RAPPORT 25/4/77

HOE om die surprusgelde van die oilelende te laat deurwerk tot voordeel van die wereld se armer lande, is een van die onderwerpe waarop die bankiers graag by vanjaar se IMF- vergadering 'n antwoord wil hê. Die huidige stelsel wat gevolg word, is net nie meer vir hulle aanvaarbaar nie. Op die oomblik deponeer die oilelende hul geld by die Westerse banke, wat dit dan weer aan die minder ontwikkende lande uitleen. Die probleem met hierdie stelsel is natuurlik dat die banke nou self die risiko moet neem van wanbetalings deur hierdie lande. En dit maak nou 'n wesentlike probleem in 'n onderhoud in die jongste Euromoney sé mn. David Rockefeller, voorsitter van Chase Manhattan Bank, een van Amerika se grootste, dat die huidige toestand die banke gaan dwing om in te meng in die binnelandse finansiële sake van 'n land. Dit is natuurlik iets ongehoords vir 'n bank. Vandaag set devaluasie van die Turse lira is dalk reeds 'n voorbeeld van waaroo die banke gedwing is vanweë die swak buite- landse skuldposisie van dié land.

5. Rites of Passage, Social Role, Role Learning, Developmental Socialization.

6. Initiation, Peer Groups, Age Sets

7. Summary Session

8. Resocialization

(Old Age, Immigrants)

9. Deviance

10. Environment and Economic Influences

11. Kinship Influences

12. Class

13. Summary: I recommend the appointment of ... as supervisor, and support this application.

14. Formal Education

15. Political Socialization

16. Ideology

17. Faculty Authority: DC No.

Selected Bibliography:

Note: Much of the reading for this course draws rather heavily on sociological and psychological literature unfamiliar to you. In addition, many of the books of reading contain theoretical chapters interspersed with ethnographic chapters. It is advisable therefore, to spend some time in the library sorting out the contents of the various edited collections (particularly) and annotating your bibliography accordingly.

1. Bateson, G.: Naven (ch. 3, 8, 16)
2. Benedict, R.: Patterns of Culture
4. Brim, O.G.: Socialization through the life cycle in items 16, 18, 25
5. Brim & Wheeler: Socialization after Childhood
6. Clausen, J.A.: Socialization and Society
7. Danziger, K.: Socialization
van Henning Pretorius

**SAUD-ARLKA**

**Ook hoop vir G**

Sondag, 25 September 1977
pryswaarde is van die orde van 40 000 miljoen dollar, of anders gesê, dertiens jaar van Suid-Afrika se goudproduksie. Maar die oeilandse se oorskot op hul lopende rekening neem nou toe met 40 000 miljoen dollar per jaar.

Een van die ooreerste de vroeëre wat gevaar word, is wat gaan die oeilandse met al hierdie miljoene in hul skot doen? Hulle het nou al die meeste vanselfsprekende dinge aangekoop en in die proses vir Londen geskud.

Daar is natuurlik beperkinge oor hoe ver mens kan gaan met jou geld as jy besits nederhand nie weet wat om met al jou geld te maak nie, veral as jy bv. nie 'n Suid-Afrika is met so'n geweldige potensiaal van minerale en so meer nie.

25 CA [TT]

Vrese

Gaan die oeilandse vorende toe meer goed koop of is hulle al besig daarmee? In hoow 'n mate gaan hulle dit as 'n goeie toekomstige belegging beskou sonder om daar te krag as hul te veel begin koop en die pryse daïk nog verder en verder te vinnig laat styg?

Suid-Afrika se vrese dat die pogings tot demontisering goud van sy troon kan stoot, is nie 'n waargeneem tot dusver nie en het geleidelik gevierd en geneem dat alles dramaties verander. En daar is geen twyfel nie, daardie stap ooreerste nog steeds die heel wereld se geldsake. Dié week gaan dit weer ooreerstel wees.

Die jaarverslag van die IMF skilder geen goeie prentjie nie. Dit is vir Suid-Afrika ter sake. Ons is net eenvoudig geheel en al vasgevang in die ekonomiese wereldprentjie.

Alle groot nywerheidslande sit met hul eie probleme. Die meer ontwikkelde primêre produserende lande soos Suid-Afrika, Australië, Nieu-Seeland, Spanje, Portugal, Turkey, Finland ens. as 'n spesiale groep by die IMF, het die afgelope jaar veral swak gevaar met inflasie, stadige groei en al daardie dinge.

Al hierdie lande het tog nie Soweto's en Biko's nie, sê my woordvoerders. In sekere opsigte het Suid-Afrika met politieke probleme en al, beter gevaar as bale van daardie lande, veral met sy betalingsbalans en die gemiddelde inflasiekoers van die groep.

Fasette

Een groot hoefprobleem wat in verhale fasette na vore gaan kom en telkens die week bespreek gaan word, is dat sy nywerheidslande met enkele uitsonderinge, ernstige binnelandse probleme van 'n ekonomiese aard het. Dit is nou weg van die politiek en mens praat van betalingsbalansprobleme en taai inflasiekoers wat dit uiterliks moeilik maak vir hulle om enige ekspansioneistiese beleid te volg.

Dit, op sy beurt, is die sinis qua sinus van dié minder ontwikkelende lande om op hul beurt verbertering in hul betalingsbalans en groeikoerse te bring. Die onderontwikkelde lande kan nie lig aan die einde van die tuntelien voor die ontwikkelde wêreld nie lig kan maak nie.

Hulle het nie olie nie. Hul steek hul hande uit vir geld en sê julle wil nie meer van ons koop nie, help asseblief. Die grotes se hul kan nie meer koop soos hulle wil nie, want hulle het probleme tuis.

Oor hierdie kwessie gaan daar indringend gepraat word.

Min. Owen Horwood sal na verwagting die jaarvergadering Dinsdagmiddag toesprek. Hy sal dié wereldstroominge deeglik behandel en dan 'n vertolking gee hoe dit Suid-Afrika raak.
GOLD IS ON THE MOVE AGAIN

MAC THAIN

TAKING STOCK

(79)
Hectic trading in shares as gold hits year's high

JOHANNESBURG. — Trading was hectic in Hollard Street's gold sector yesterday as the gold price reached a high for the year.

Brokers reported that buying was largely local in the morning while the marginals advanced strongly when overseas buyers came in enthusiastically in the afternoon.

Attention was focused on gold shares but the metal's strength spilled over into other sectors, notably platinum, and industrials continued on their steady march.

The general buoyancy of Hollard Street was reflected in De Beers' quick recovery after going ex-dividend. The counter gained 15c to 502c compared with the pre-dividend price of 505c. Anamint advanced 25c.

Rustplat and Lydenburg firmed 5c while Blaupat was a little off the top, cutting the gain to 2c.

Coal, copper and iron ore were little changed because of neglect.

Gold and Maseal opened a little higher, then came off to close 5c and 2c off. Cons Murch's swift advance ground down and the rise was 5c.

Sallies jump 30c

Sallies was a feature in the Witwatersrand sector, jumping 30c to 147c. South Randpoort put up 35c to 220c, WR Cons firmed 25c to 270c and ERPM advanced 40c to 415c. Ergo, which has been neglected, moved up 16c to 449c, the highest level since the launch of the shares.

Even little Wit-Nigel was in demand, gaining 6c to 52c, and reflecting the local nature of the buying in the morning.

Southvaal advanced 50c to 745c while Harmony restored to its pre-dividend level of 700c with a 20c gain. Doorns was in demand in the West Wit sector, pulling on 30c to 450c.

Except for St Helena, which advanced 70c and Randfontein, which firmed 75c, other large gold counters did not equal the marginal producers' gains, which were in the 20c to 25c range.

Vaal Reefs was static and Fregus lost 25c after going ex-dividend.

Mining financeals firmed almost across the board.

Anglo firmed 12c to 505c, Anggold rose 70c, Gennmin advanced 150c, while Johnsons gained 50c. Congold has been extremely firm on London buying and yesterday's gain was 20c.

Freddev, Midwits, Sentrust, New Central and New Wits were up in the 10c to 20c range.

Barlows put on 5c to 338c and this gain was matched by Abercon, Amic and W & A. Primrose closed at 95c, up 3c on the pre-dividend price.

Liberty and Eagle were firmer among insurances and banks were generally steady.

GR Props, the punters' favourite, gained 10c to close at 130c.

SA Brews firmed 4c to 177c, Grinaker remained on the upswing with a 15c rise to 300c and Tiger, Hlvd, Edgars, Foshini, OK and Remgro advanced among industrial leaders.

London and Zurich gains

LONDON. — Gold gained a dollar on the day to close at $155.40/155.60 an ounce against Friday's close.

The weakness of the dollar and industrial demand boosted gold in moderate trading.

There was also some short-covering ahead of the IMF gold auction tomorrow.

ZURICH. — Gold finished at $155.25/156.00 an ounce above the opening $154.50/155.25 and Friday's close of 154.00/75.

They said there were no fresh factors although the metal received support from the continuing weakness of the United States dollar.

Trading was active. — Reiter
Gold Auction

Holding the hammer

The threat of an American bullion sale has hung over the world's gold market like a cloud for the past year. As late as July, US Treasury gold policy staffers were hinting broadly that a limited series of auctions could begin as early as October. Now, in a dramatic policy shift, the Treasury has shelved its gold sale plans for at least six months.

The reasons advanced to the IMF's Washington Correspondent for the delay offer an interesting glimpse into just how complex the supposedly demystified world of global gold politics still is. Simply put, the Americans have decided not to hold a gold sale of their own until the French Government ratifies the new articles of agreement that the IMF hopes to put in place next September.

France, it turns out, is the only major world power that has not yet formally ratified the new amendments. Among other things, the amendments end the official price of gold and give central banks formal sanction to buy and sell bullion on the open market. Many banks are doing just that already, of course, through subterfuges such as trading through the Bank for International Settlements.

There is no real danger that the French won't ratify. It is just that the matter will not be considered until after the general election in March. And the government of Giscard d'Estaing has made it clear to the Carter Administration that France does not want the Americans turning gold into a campaign issue.

Once the French election has been held, the Elysée can push ratification through the National Assembly and veto the French how the Americans can do as they like with their own gold.
Outlook for bullion and golds bullish

Mac Thain

Optimism of prospects for gold is voiced by Lord Erroll of Haie in his Cons Gold Fields chairman's review, though he is far less sanguine over the outlook for industrial, metals and minerals.

The market for jewelry in the Middle East has been particularly buoyant, he says but purchases in Western countries have also tended to rise in concert with real incomes. Further improvements should be seen in the current year.

The financial and currency upheavals of recent years have emphasized gold's valuable role—either as metal or in mining shares—as a form of insurance in a diversified portfolio.

The official campaign for demonetisation has flagged, Lord Erroll comments, and no less authority than the OECD now feels that "official reserves like gold . . . may be regarded as the base of an inverted pyramid of international credit and liquidity expansion."

In Basle, Alfred Matter of the Swiss Bank Corporation commenting on the increase in demand which helped to bring the gold price to above 160 dollars, has said that this reflected Near East demand as investors there have had less satisfactory choices for surplus funds.

Furthermore there has been a revival of speculative demand in the US.

The Bank points out that the physical demand—supply relationship remains the basic factor in the gold price trend. However, futures markets in the US are of growing importance because of the ease with which high volume can be turned over.

This could temporarily upset the price level so that, for example, chartist selling could lead to a marked bear market in New York while there was no particular pressure on the physical price in Europe.

Stability

The Bank takes the view that the behaviour of central banks after next year's expiry of the interim IMF agreement, which allows them to trade freely in the market, will depend on the level of international monetary stability at the time.

However, whatever happens, the supply and demand structure of the gold market "could see deep-seated changes."
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R200-m for gold mines — a record

By STEPHEN MULHOLLAND
SUNDAY TIMES News Editor

The highest gold premium in South African history — about R200-million — was paid to the mining houses this week as money poured into the South African economy and interest rates declined sharply.

The gold premium, which is paid to the mines just before the end of each month, is the difference between the official price of gold of $42 an ounce, and the free market price — now at $184 an ounce.

It is paid to the mines by the Reserve Bank, which handles the sale of South Africa's gold, mainly through Swiss banks.

In addition to this massive inflow, official statistics released this week show that over the past six weeks the Government has pumped well over R500-million into the economy through State spending.

At the same time, the level of the country's foreign exchange reserves has risen by R80-million since the end of August. This rise does not reflect gold sales, but indicates that overseas investors are moving funds into South Africa and that there has been an improvement in our trading account — excluding gold — with the rest of the world.

It is clear that a massive build-up of liquidity is taking place within the economy, and in the months ahead, bonds and bank overdrafts should become easier for the average man to obtain.

However, Dr G. P. C. de Kock, Deputy Governor of the Reserve Bank, pointed out in a talk delivered in Johannesburg this week that economic growth can be expected to slow down in the current fiscal year.

Last year the economy grew at a rate of 2.5 per cent in real terms, easily the highest in the Western world. In the current year, Dr De Kock predicted, the rate of economic growth would slow down while the internal money supply built up.

He inferred that though the economy would slow down, the rise in the money supply would have a beneficial effect on industrial share prices, which have been at low levels for some time.
US spending spree?

"It's not soybeans—it's gold", reads the big advertisement by the Chicago Board of Trade in this week's New York Sunday Times. "Are you ready for gold bullion", screams another. "Lowest prices on gold", claims a third.

The Christmas shopping rush may be over. But December 31 was G-day, and all across America, commodity exchanges, brokers and investment punters of all kinds were preparing to satisfy the pent-up longing of a nation denied gold bullion for over 40 years.

But no one knows how big demand will be and won't for some time. The Administration hopes it won't be large or long-lasting, and has been encouraged by the example of Japan, where following the decision to make private ownership legal in 1973, demand was brief.

'At Arthur Burns, chairman of the Federal Reserve Board, who strongly opposed lifting the ban, takes the opposite view and has warned of a massive shift of funds out of banks and savings institutions — and a further underwriting of public confidence in paper currency."

To judge from the money spent on advertisements, the new gold dealers are hoping that this will happen. However Treasury Secretary William Simon has suggested that private demand is unlikely to exceed $1,000m at current prices. But some private experts have forecast as much as $3,000m to $6,000m will flow into gold this year, although most are more cautious at around $2,000m.

At the moment, the market looks rather chaotically organized and expensive. Its most innovative aspect is that Americans will be able to trade in gold futures, as well as the metal itself. These future contracts are being offered by the four major commodity exchanges — the Mercantile and Commodity Exchanges in New York, and the Chicago Mercantile and Board of Trade. They will be similar to any other commodity future and could absorb much of the private demand to own gold.

On three of the exchanges, the trading unit is a 100 oz bar, which makes it a relatively expensive gamble. But the New York Mercantile is offering 31 oz bars (or 1kg). The minimum margin requirement on this bar — worth perhaps $6,400 — will be only $500, which gives the speculator considerable leverage.

But some brokerage houses are asking much higher margins and Merrill Lynch insists on a minimum net worth of $50,000 for anyone opening a gold trading account.

For the not-so-fat cats, there are a number of all-gold mutual funds, which give the advantage of saving the investor the sales tax (7% in New York), fabrication and assay charges which would otherwise have to be paid in full by anyone actually taking possession of some metal.

These have unimagination names such as Bars of Gold Inc. Certainly they are 'sailing in uncharted legal waters' and investors run several risks, including the possibility of double taxation, both on the profits the company makes and on their own capital gains.

That auction

The real problem, of course, is that, as yet, there is just not a large stock of small gold ingots in the US and consequently investors have either to face the rather high costs of fabricating them, or else go into the market in a substantial way.

One brokerage house is offering straight 1kg bars at around $6,000 each at 0.5% to 1.5% mark-up over the wholesale price, which will be 1% above London fixing. However there are still sales taxes, shipping and insurance.

On January 6, the Treasury will announce the results of its 2m oz gold auction, designed to prevent local demand from sucking in too much foreign gold and unsettling the balance of payments.

This will be an event of international importance, for if the world price can withstand the dumping of so much metal onto the free market at one time, the gold position will be enhanced and the Europeans will feel happier about valuing their monetary stocks at close to current rates.
GO, GOLD

the limit, say experts

By JOHN CAVILL

LONDON.—Stagnant in the short run but beyond that the sky is the limit. This was how international gold experts who met in London this week summmed up the outlook for the bullion price.

Speakers from Dr. William Coote, chairman of General Mining, to New York gold bug Philip Herzog, at the "World Gold Conference" were unanimously bullish about the future of gold.

But few were more so than Walter Frey, general manager of the Swiss Bank Corporation of Zurich. After listing the bearish factors and uncertainties in the bullion market, he said: "When assessing the elements realistically we have to conclude that the odds are in favour of higher gold prices, whereas downside risks are rather limited.

"If we look at the distortions, vulnerabilities and paradoxes which characterise the Western economic structure, we would even say that gold's upward potential is almost limitless in the long run."

That said, however, Robert Guy, chief bullion dealer at N.M. Rothschild, noted a decline in large-scale speculation in gold despite falling interest rates.

He said: "Let me admit that the market is flat at the moment. The conference, organised by the Financial Times, echoed the flatness of the gold market. Only 120 paying delegates, at £165 a head for the two-day event, attended.

"The second leg of the conference, due to be held in New York next week, was cancelled due to lack of interest. Speakers blamed several factors for the gold market's lull: America, the potential of the new stillborn bullion market, worried by antitrust proceedings and the January auction, was gravely over-estimated. American dealers, overstocked and overcommitted to new supplies, have had to afford.

Walter Frey said: "They are compelled to sell back their gold, in recent weeks the United States has become a net exporter."

©Raiding—India and South-East Asia, traditionally the biggest hoarders, have turned sellers. . .

Timothy Green, author and consultant to Consolidated Goldfields, said the flow of metalled-down jewellery into the Zurich market has shot up from 60 tons in 1973 to between 100 and 150 tons last year.

In 1970 India alone absorbed an estimated 500 tons of smugilled gold. Last year it was less than 30 tons.

Mr. Green reported that the Bombay bullion market had asked the Indian government to legalise exports of gold.

Mr. Frey reported, however, that supplies of secondary gold had recently dried up with the fall in bullion prices.

But Mr. Green said the East could become a big seller again if prices rose, especially if India had severe crop failures. In 1932-33 India disbursed 240 tons of gold.

© Decline in industrial output in South Africa, of Consolidated Goldfields, said jewellers, the biggest users, consumed less than half the 805 tons they used in 1973.

© Jewellery use of gold is now only about 20 per cent of its 1970-71 peak. It is down because of rising bullion prices and falling real incomes. Where jewellery consumption goes from here depends largely on how long the recession lasts.

Weighed against these factors are the longer-term considerations, though some of the experts was prepared to commit himself to time horizons of price levels.

On the supply side, no new gold mines are expected in the Western world. South Africa's production probably hit its nadir in 1974, according to Dolf Schumann, president of the Chamber of Mines, and should steadily rise to 357 tons by 1980.

Dr. Coote's view, however, was that production could decline marginally for two years before starting to rise, when the three new Free State mines come into production.

In America it is estimated that gold output may rise by 50 per cent. But this is not certain and, as Dr. Coote said, would only add 1.5 per cent to world mine production.

The main unknown is Russia, where production has risen by a steady 9 per cent to 400 tons in 1974, according to David Dowie, consultant in economic geology.

Forecast output for 1975 is 469 tons and three big new mines—two capable of treating 15 million tons a year—will be coming on stream.

Mr. Dowie said that even assuming very low grades, these mines could produce another 60 tons of gold between them.

Against this, the Russians have shown they only sell large quantities of gold when they can get top prices. Last year Russian sales were probably only 25 tons to 260.

Walter Frey—Gold bull extraordinary

The gold miners

<table>
<thead>
<tr>
<th>Metric tons</th>
<th>Value in millions of rand</th>
</tr>
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<tbody>
<tr>
<td>South Africa</td>
<td>729</td>
</tr>
<tr>
<td>Soviet Union</td>
<td>371</td>
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<tr>
<td>Canada</td>
<td>53</td>
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<td>United States</td>
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<td>Central and South America</td>
<td>31</td>
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<td>Ghana</td>
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<td>New Guinea</td>
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<td>Rhodesia</td>
<td>15</td>
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<tr>
<td>Europe</td>
<td>14</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>29</td>
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</tbody>
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© Value based on free market price of $179 an ounce.

Continued on Back Page
Gold goes to the sidelines

By ELIZABETH ROUSE

WITH gold poised close at the $170 barrier, some London dealers are saying that if it breaches this level it has little defence against falling to $160.

At last Friday afternoon's fixing, the price reached a three-month low of $171.90 and dealings closed in the $171.90 - $172.70 range compared with the previous day's close of $172 - $173.

The market has been so inactive that some investors have got out of gold.

The lower trend -- which has brought the price steadily down from a recent peak of $188.25 in late February -- contradicts news which in other circumstances would have raised it.

The initial uncertainty following King Faisal's assassination, the failure of Henry Kissinger's Middle East talks and now the South East Asia situation, have all failed to send investors into gold.

The strength of the dollar may have weakened investor interest in gold. Gold futures have continued to slip. Last Friday New York futures fell 20c to 49c. Chicago ended 50c to R1.50 lower in quiet trading.

The April contract lost 20c to $171.50 on the Comex but was unchanged at $172 in Chicago. Winnipeg April contracts dropped 50c to $171. It seems likely that South Africa is withholding gold for such a depressed market at present.

The gold share market has at present taken a battering over the past two weeks, with some marginal producers' prices reaching a year's low.

However, in South Africa one either believes in gold or puts one's savings under the mattress.

The brokers and analysts are by no means pessimistic about gold. The best advice seems to be that it would be silly to sell gold shares now but too early to buy.

According to an analyst's theory, with the RDM gold index hovering just above 800, gold shares are already discounting a gold price of $150 and should be cheap enough.

The analyst says the trouble is that most overseas investors will pay no heed to theory and will simply sell on a falling gold price.

They may be right, he says, as average dividend yields are still not good enough to compensate for inflation and for risks involved.

He does expect the gold price to rise substantially before the end of the year, but to fall in the short-term, basing this expectation on the belief that 'a time must come when the immoral printing of paper currencies must give way to the sound discipline of a basic value.'

Favourable

An investment advisor attributes the substantial fall in gold share prices to the over-optimism which previously existed in the market.

He thinks that the present decline largely due to a more realistic appreciation of the intrinsic investment potential of gold shares and that prices are far more realistic.

Most commentators consider that long-term prospects for the gold price remain favourable and that the labour problem is expected to improve gradually from now on.

This analyst regards gold shares as reasonably sound investments, but advises investors to avoid investing in gold mines with lives which are less than 15 years, vulnerable to higher costs or a fall in the gold price or whose current dividend yield is below 6 per cent a year.

The factor which these advisers and analysts ignore is the continued buoyant state of Wall Street industrials and when that market shows chances of reaping profits, interest in South African gold shares flags.

Wall Street sets the tone for Johannesburg and London golds and the investor who ignores Wall Street's trend does so at his peril.

The large brokerage firms are on the alert as far as Wall Street is concerned, and keep their communications lines open to New York.

The decline in the gold market is largely due to the inability of Johannesburg to absorb overseas selling.

The capital market is tight because of high interest rates as long-term loans testify, and it looks as if the merchant banks will have to pull out all stops to attract money for the multi-million city and public authority loans they are launching this year.
SHOOK

THE WEEK

BY ADAM PAVNE

THIS WEEK'S SPECIAL EVENT:

This week is the annual gold price gala. The main event is the gold price gala, which takes place from 3:00 PM to 5:00 PM on Saturday, April 7th. The gala will feature a keynote speech by Dr. John Smith, a renowned economist. The keynote speech will be followed by a panel discussion on the future of gold prices. The gala is open to the public and tickets are available for purchase online.

The gold price gala is a major event for the gold industry and is attended by industry leaders and investors from around the world. It is a great opportunity to network and stay informed on the latest developments in the gold market.

For more information, please visit the gold price gala website.
World gold price can only move upwards says Dr Jan Marais

EAST LONDON — "The gold price will fluctuate, but I am convinced it will go in only one direction — upwards." So says Dr Jan Marais, chairman of the Transvaal, international financial, and in fact, one of South Africa's best known economists.

When I interviewed him in his hotel suite here during his brief visit last week, it was the diplomat in action. No aloof, "Recey your distant" person this. The atmosphere was completely informal, and it was not until we had chatted about the "do's and don'ts" when recalling previous occasions we had shared, that other's company, that we really got down to business.

Then he revealed his international, national, regional, and, yes, even a little (though slightly limited) local knowledge.

But gold is his pet subject (after South African development), "I have a vested interest, as I am on the board of the major mines. But I have done considerable research into the gold question, and I am used to very long range projections."

"Let me put it this way — while there is an inflationary problem while there is political unrest in various parts of the country, and until such time as a satisfactory substitute is found for gold, there will be an evocative decreasing demand."

He expanded on this thought by explaining how great was the desire of rich and poor alike to own something that doesn't go down in value; something that is not subject to the vagaries of the money market. And, he went on to explain how he thought South Africa should exploit this situation.

"We should really get down to marketing gold properties," he said. "We should have gold showcases at, for example, Jan Smuts Airport, when people start going to or coming from abroad, where visitors can buy articles made of gold."

He recalled one overseas visitor who came to see me in my office in Cape Town. He was quite an influential person, but after our discussion he asked me where he could buy something in gold.

I directed him to a jeweller's shop on the ground floor of our building, but warned him it would be expensive. He went down bought a gold chain for his wife, returned and showed it to me, and was like a child with a new toy.

"From Cape Town he flew to Johannesburg and from there to Rio. While there he apparently had it valued, and took great delight in writing to tell me it was worth worth more than he had paid for it.

"This is the market we can exploit — to export and not do enough with our gold."

When I asked him if he thought international pressures were likely to deflate the gold price — such as the recent heavy selling on the free market by Portugal, and the January gold auctions held by the United States Government, or even political motivated selling by Russia — he thought carefully and answered: "No doubt this will happen occasionally, but in the long run, however political inspired, could afford to continue selling in such quantities as to depress the price for any length of time. I am quite sure the price will rise and fall, just as it has done in the past, but the continued rise is inevitable.

"When I told him of the statement made recently by Dr. Gouws at a Johannesburg seminar that employers should pay white more than blacks who were doing the same job because the black could live more cheaply, Dr. Marais replied:

"Merit must be the only deciding factor. They must all be paid the rate for the job. I employ many people."

"I have two whites doing the same work and one is a bachelor and the other a married man with three children. Should I pay the bachelor less because he can live more cheaply than the married man?"

"If the blacks are given greater earning power it will create a bigger market for our goods. This will mean bigger production runs, lower unit costs to help combat inflation, a bigger home market and, consequently, a better opportunity on the export market.

"It was the word merit that was the keynote when I asked him if more money was now available for imports..."
That according to a report from Paris,
South Africans and Russians sit down
gether each week in a Zurich hotel to
discuss gold marketing strategy?
As a well known columnist might
put it: Koos van der Merwe and Ivan
Mikhailovich were sitting drinking
schnapps in Zurich waiting for a
monetary crisis to break out. It was a
question of gold.

Financial Mail May 2 1975
Gold price is too high, says Hillsam

By COLIN CAMPBELL

The gold price has failed to respond to all the bullish factors going for it and, at $170 an ounce, is too high and must be expected to fall, merchant bank Hill Samuel said this week.

The bank's latest Economic Quarterly Review has little comfort for gold bulls, but is more encouraging about the overall economic outlook for South Africa. The bank says the South African economy will begin to improve around the middle of 1978. But the recovery in the industrial share market will depend upon the availability of funds, economic prospects and investor confidence.

"Taking these together we expect the market to ease in the coming months but to firm towards the end of this year."

Hill Samuel stresses that there will have to be some noticeable easing in the pressures on long-term capital. Prime companies are still having to pay 13 per cent to secure long-term money.

Accepting, a six to 12 months' time lag between the recovery of the American and the South African economies, the stock market should begin to anticipate this well before the middle of 1978.

"But share prices could still go weaker in the short-term because the downturn has not yet ended and further declines in the gold price will upset general investor confidence.

...In comparison with the fairly exciting rally in industrial shares and the build-up of interest in the gold market at the end of last year, the first quarter of 1978 was a rather dull period on the JSE.

Bution stayed in a remarkably narrow range between $170 and $185, while gold shares drifted lower after falling sharply early in January.

Disappointing demands from the American public for gold and the effect of the US Treasury bullion auction are to blame. So far this year the bull points for gold have been:

• The assassination of King Faisal;
• The breakdown of Middle East peace talks;
• Communist advances in Indo-China;
• Fears of a serious world-wide depression; and
• Massive fluctuations in currency values.

But, these have failed to have a positive effect on the gold price.

"We cannot avoid coming to the conclusion that, in the current circumstances, the gold price is too high at $170 an ounce and that a fall from that level is to be expected," Hill Samuel says.

In an exercise to determine whether equities or fixed interest securities are the better investment, the merchant bank says that at present yields and prices equities are to be preferred.
Role of gold under fire

By LEWIS JAMES
WASHINGTON, — International Monetary Fund director, Johannes Witteveen, was caught trying to hurry along the demise of gold from the world monetary system this week.

In a speech before a university seminar group here on Thursday, Mr. Witteveen told his audience, "There is now agreement that gold should be phased out of the international monetary system."

"Protests from French delegates to the IMF forced the agency's Press officers to make hundreds of phone calls to foreign correspondents with a correcting phrase which had Mr. Witteveen now saying: "There is now agreement that the role of gold should be reduced in the international monetary system."

Mr. Witteveen's remarks were delivered to a Johns Hopkins University seminar on American-European policies. The thrust of his address was that a "serious gap in the world's anti-inflationary defences" had emerged, from the capacity of the present international monetary system to create "both international liquidity and international credit."

Mr. Witteveen argued that the emergence of the floating exchange rates had not eliminated balance of payments deficits and surpluses and had not eliminated the growth of holdings of currencies — chiefly, but not exclusively, the dollar — in the nations' monetary reserves.

Mr. Witteveen conceded that the rapid recent increase in the market price of gold "has effectively immobilized gold-reserves of central banks."

In time, ensure the gradual reduction in the role of gold in monetary reserves, preserve its usefulness as a reserve asset during the phase-out period, avoid the danger of pushing the gold price upwards, and be equitable as between holders and non-holders of gold.

"This is a tall order, but if there is agreement on the ultimate purpose, we should meet this challenge and put the divisive issue of gold behind us," he stated.

"It is clear that this situation cannot last indefinitely. At the present time, when many countries face balance of payments problems, there is an understandable pressure to mobilise the gold reserves of central banks by enabling them to engage in transactions at market prices," Mr. Witteveen said. To do so, he declared, would require amendments to the IMF's articles of agreement.

However, the IMF director warned that "complete freedom for central banks to buy and sell gold could also open the door to additional uncontrolled increases in international liquidity through a further rise in the market price of gold."

Mr. Witteveen looked to the IMF's interim committee meeting in Paris in June for more progress towards a set of amendments to the fund Articles "which would include freedom for gold transactions, under specific arrangements designed to ensure the gradual reduction of the role of gold in the system."

"There is now agreement that gold should be phased out of the international monetary system," he added later in his remarks. "But since the existing stock of monetary gold is large, this will unavoidably have to take place gradually."

"The difficulty lies in devising arrangements which will, at the same
To Go: Upwards
There's Only One

Financial Report

By Peter Mason

FROM THE PROCEEDS FROM THE SALE OF RUSH, a new gold mine found in the area, a billion-dollar investment has been made in the project. The gold rush has given a boost to the economy in the area, and the project is expected to proceed

BY SHEIK MRSTERY

Billion-Dollar Mystery

The project is expected to proceed

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The project is expected to proceed
IMF wants pressure put on gold

BY LEWIS JAMES
WASHINGTON. — Johannes Witteveen, director of the International Monetary Fund, says a reduction of gold's importance will be a key item on the agenda when the IMF's Committee on World Currency Problems meets in Paris next month.

The truth is that the committee will have to cross many negotiating hurdles before it can even bring up the gold question. In the unlikely event that the role of gold in world monetary affairs is brought up, the position of gold as an official reserve is likely to be strengthened.

This is the consensus from a series of interviews this week with influential IMF staff personnel and officials of the US Treasury, as well as some of the delegates to the Paris meeting from other nations.

One senior IMF official summed up the mood here: "All you have to do is read the communiqué issued by the IMF interim committee when it met here in January. It is a clear outline of the pitfalls in the way of the committee before it can proceed to the question of how to increase the IMF's financial resources to take care of the liquidity crisis caused by the oil price increases near the two years ago."

"You must remember that we all agree that the IMF should have more money. The rest: struggle comes over how to do it. We must sort that out before we can even think of gold," he added.

In January the IMF's committee agreed in principle to boost the quotas each nation pays to the fund by 25%. This is needed to ease the liquidity strain on developing nations suffering under high fuel costs.

The fund delegates also agreed, again in principle, that the OPEC nations -- which have piles of currency because of the new prices for oil -- should increase their contributions to the fund by as much as 10 per cent.

"This is where it gets tricky," a senior US Treasury official said. "How do we get the quotas increased with some other nation or group of nations losing its relative importance in the IMF?"

"After all, the amount of money a nation contributes to the IMF determines not only its voting strength, but also its influence in the decisions of the fund," he said. "But the problem is, if we make the Arab nations pay more important in the fund, then becomes 10 per cent less important."

The United States has refused any change in quota status that would reduce its overall ability to veto IMF actions. The US contribution to the IMF accounts for 26 per cent of the voting strength allowed IMF member nations.

Fund rules specify that key issues must be settled by a three-fifths vote with at least 89 per cent of the member nations voting.

In the unlikely event that the Arab nations in Europe that the Americans may insist that it is we who must give way to the Arabs," the IMF governor from one of the Common Market nations told me privately. "Perhaps that is inevitable. I do not know. But I know that we will have a hostile reception to this from the nationalities, and we all know that is not going to happen."

"We are trying to hold up, France, and troubles in Italy and elsewhere. This may be the one issue that will get us all back together, with a vengeance," he said.

A senior IMF staff noted, there are other issues before the delegates to the Paris meeting that take precedence over the question of quotas.

There are the thorny questions about exchange rates, and what is the effect of these 'wriggling' nations?" the IMF source said.

"Then you have a variety of questions about the status of the IMF interim committee. Not all the delegates, primarily the Eastern European nations, who have the idea of a select group of powerful nations, handling out decisions. The committee itself may not be a permanent vehicle."

"This still leaves the role of gold in question. But another IMF delegate, this one from a strong gold holding nation, offered this intriguing notion: "Let's say, that we do actually get one of the questions, of how the nations are to increase their quotas in the fund. My guess is that the delegates would be reluctant to stick to the current IMF practice of making a full 25 per cent of that contribution in gold."

"Why? At these prices, who wants to put their reserves into the limbo of the latest vault? I would guess that they will vote to let the full quota payments be made in each nation's currency -- that is, in the unlikely event that they get that far," the delegate said.
another tilt at gold

By HOWARD PREECE
Financial Editor

THE United States Treasury decision to offer 500,000 oz of gold for auction on June 30 has struck a shrewd psychological blow at gold.

It is timed deliberately ahead of next week's meeting in Paris of the Interim Committee of the International Monetary Fund charged with recommending changes in the IMF articles.

The auction, which must be seen as a direct attempt to weaken the monetary attraction of gold, also follows a shift in tactics by the anti-gold lobby at the IMF, led by the United States and Dr J. Witteveen, the managing director of the IMF.

They have recognised that countries such as France and Italy with large gold reserves can attract enough support to block changes in the IMF articles unless these changes include mobilising the reserves.

INSISTENT

So the United States and its allies are accepting that these golds will have to be freed for deals between central banks negotiated at market-related prices.

But the United States is insistent that the volume of gold in the monetary system should not be increased. It is urging, in effect, that central banks remain unable to buy gold on the open market.

This differentiation between existing stocks of monetary gold and newly minted gold has been used effectively to bar South African representations to the 20-member controlling executive board of the IMF.

At the annual meeting in October last year of the IMF in Washington, South Africa lost its alternate director seat on the board after Australia refused for political reasons to allow South Africa to remain in its group.

UNSUCCESSFUL efforts were made by South Africa to find a new representative group by teaming up with Spain.

Mr Bennett said that at the June 30 auction, all successful bidders would pay the same price, which would be the lowest successful bid price accepted by the government.

The Treasury said it would reserve the right to reject any and all bids, and bids made on behalf of foreign governments would not be accepted.

Politics, of course, has featured here, but so has straightforward financial anti-gold sentiments.

The United States decision to hold out against central banks being able to buy and sell gold freely is a reversal of the policy change which was first announced by Mr Jack Bennett, the United States Under-Secretary for Monetary Affairs, in reply to questions from me at the last IMF meeting.

He said then that the United States would accept the right of central banks to buy and sell gold freely.

I said then that this was dramatic good news for gold. It looks as if the United States has now decided the news was too good.

GOOD OR BAD

At the time, however, it was thought that South Africa's ambassador to the IMF and previous alternate director, Dr Robert Smith, would still be able to put the case for gold to the board at discussions on its monetary role.

The IMF articles make provision for all member countries to make representations when matters of essential national interest are being discussed.

The IMF has ruled, however, that it is the size of a country's gold holding that determines whether it has an "essential national interest."

So South Africa, with about two-thirds of the world's known gold reserves, has been refused representation.

The country's gold reserves are said to be not large enough to justify it.

Mr Bennett said that if the government failed to auction more gold for the United States market, Americans might be forced to import as much as 2,500,000 oz in the remainder of this year.

It was hoped the action would reduce imports and thus help keep dollars from flowing out. The auction was also likely to help keep down the price of gold.

South Africa remains in its group. Unsuccessful efforts were made by South Africa to find a new representative group by teaming up with Spain.

BIDS

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GOOD OR BAD

Mr Bennett said at the weekend that the decision for a second gold auction was made because of rising imports of gold from abroad, especially for industrial use.

He said the Treasury was taking no position on whether gold was a good or bad investment for Americans.

"But we want them to know about it because we are selling something that belongs to the American people and we want to sell it at as high a price as we can."

The gold will be sold in 250 oz bars from official gold stockpiles in New York, Denver and San Francisco.

At current market prices of about $167, each bar would be worth about $41,750.

There are about 278 million oz of gold in United States Government stockpiles. The Treasury last sold gold on January 6 at an average price of $165 an oz.

Mr Bennett said that at the June 30 auction, all successful bidders would pay the same price, which would be the lowest successful bid price accepted by the government.
Kruger sales crash

Financial Editor

KRUGERRAND sales in May crashed to 188,100, compared with 549,625 in April, following the British ban to their import.

Overseas sales last month were 180,000, compared with 540,000 the previous month.

Domestic sales were 8,100, against 9,625.

These figures were given to Reuters by Mr Don McKay-Coghill, manager of International Gold Corporation, which markets Krugerrands for the Chamber of Mines. He said this month’s figures were likely to be similar to those of May.

It had been believed that British imports of Krugerrands were about 85,000 a month, but it is now clear that this figure was being increased by re-exports from Continental countries.

Heft stockpiling of Krugerrands is taking place by Intergold.

May’s export figure will be sharply hit by the Krugerrand sales drop, but through the course of the year this will largely be offset by the greater volume of gold sales.

Unfortunately, however, the United States gold auction comes at the wrong time to be increasing bullion sales, but the Krugerrand position makes this unavoidable.
Kruger rands a 'strong hold'

By PENELOPE GRIECE
LONDON. — At the Lubok annual meeting here yesterday the chairman, Mr. Jim Slater told shareholders that Lubok's investment in Kruger rands was a better investment in early May than it is now but he regards Kruger rands as a strong investment "hold".

Mr. Slater, looking relaxed and elegant after a successful weekend's fishing at his Scottish salmon farm, joked with shareholders and is clearly excited by his investment in Lubok.

He acknowledged that the announcement of the US gold auction has temporarily affected sentiment in gold. But he claims, "Kruger rands are not only dependent on the gold price."

THREE FACTORS

There are three factors which influence a decision to invest in Kruger rands — the gold price, which is now weak; the relative strength or weakness of sterling in international foreign exchange markets; and the premium on the Kruger rand."

Two of the three factors are in the favour of Kruger rands. The premium on the internal Kruger rand is about 1.5 percent.

Mr. Slater believes that the only way one can hedge against sterling is relatively low and Kruger rands act as a hedge against sterling. Lubok has taken some profits on its Kruger rands but Mr. Slater feels that in investment terms, Kruger rands are still "a strong hold."

Lubok's first quarter was "very satisfactory," according to Mr. Slater, and he emphasized that Lubok has an underlying asset base which is appreciating fast.

SLATER

"Internal Kruger rands, while commanding a 20 percent premium, are still attractive," says Mr. Slater. "For the premium is still through gold and the alternatives are gold shares or coins.

With the dollar premium currently running at 100 percent, investing in gold shares is not attractive and the 94 percent premium on sovereigns makes sovereigns also not too appealing an investment."

PREMIUM

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Cape Times, 4/6/78
US selling gold bargain basic

By JOHN CAVILL

LONDON. — A nice opportunity to buy gold at a discount to the free market price. This is the London gold market's reaction to the latest American auction of 15.5 tons of bullion — only slightly more than a week's production by South Africa.

And one leading American commodities dealer is recommending his clients to consider selling short on the New York gold futures market, bidding around $150 at the auction and delivering the bullion against their sales.

A deal against the June position, quoted at $165, would thus produce a quick profit of $15 an oz.

Unlike the farcical January auction, when only 32 of the 63 tons put up was sold, and at prices down to $20 below the market price, bullion dealers expect there will be takers for the whole amount on offer.

It is also expected that the discount to the free market levels will be more reasonable. A cut-off price of around $150 is confidently expected, which will not undermine the free market.

London dealers are encouraged by bullion's reaction to the announcement this week.

One said: "After the lunatics in New York had all jumped out, the price quickly recovered, and while the volume of trading is quiet there seems to be strong support for gold in the lower $160 range.

"This auction should provide an opportunity to make money very easily. "The Americans do not want to do anything which might establish a floor cut-off at the auction should be at a level below the world price."

"Whether you are covering against a short position or buying on a longer-term view, it's a good chance to buy gold cheaply."

The market does not expect the auction to have any further dramatic impact on the gold price.

"The announcement was as good as the event," said an analyst at brokers James Capel, "and once the auction is out of the way we would expect to see the bullion price go gradually better."

It is interesting that the United States has again become a net importer of gold, which means that its domestic demand has reversed itself.

The French are a particular target for the American tactics, since Paris is viewed as the leader of both pro-gold and anti-US elements within the IMF.

It was to shake French confidence that the US Treasury Under Secretary Jack Bennett hit upon the scheme of announcing a second sale of American gold holdings.

The announcement came just a week before the Paris meeting.

Another blow to the French was the additional comments of Mr Wolfe, a normally reticent civil servant.

The United States is now self-sufficient in gold of told journalists in a surprise interview, because the US Treasury intends to fill as much of the 4.5 million oz a year American industrial demand as it can out of the official stockpiles.

The first Treasury sale put 750,000 oz in private hands and the June offering will be for 300,000 oz.

The US Government has not had to have a sale since January, he explained, because demand for imported gold has remained low even through news that the level of 1974, the new rival to South Africa and other gold exporters is the United States, which is willing to sell any or all of its 276 million oz of and board of monetary bullion to achieve its objectives.

"We own more gold than anybody else in the world," says Thomas Wolfe, director of the US Treasury's gold and silver office. "Nobody will have as much gold as we do for the next 20 to 25 years."

The message to the IMF is clear. The United States intends to keep its position of having the sole veto over Fund votes and to strengthen the dollar.

The IMF delegates are meeting on monetary problems caused by the rising petroleum prices.

As part of its aid to developing nations, the Fund is considering an increase in the contributions each nation makes to the IMF, with oil-exporting countries increasing their overall participation in the organisation by 10 to 15 per cent.

Once a nation's monetary contribution to the IMF determines its voting strength, an increase of 10 per cent in Arab bloc influence means some other nation or bloc will lose by that much.

What the United States delegates are saying is that Washington intends to keep its 21 per cent effective veto power voting strength, and if anyone is to lose influence, it can be the industrial nations of Europe — France included.

Lewis James reports from Washington: Delegates to the International Monetary Fund's meeting in Paris this weekend are getting a rude piece of news. There is a new power in the world gold markets, backed by huge bullion reserves, and dedicated to reducing gold's status to that of a commodity.
US keeps up the pressure on gold

BY JOHN CAVILL and GORDON KLEIN

GOLD'S ROLE IN DISPENSABLE - BANK HEAD

The American Treasury fired a warning shot by unloading $42.5 billion of gold reserves at $170 an ounce to banks and bullion dealers.

This underlines the growing concern among US and European policymakers about the gold market's vulnerability to fluctuations in the dollar.

The move is seen as a move to stabilize the dollar's value by reducing its reserves in foreign currencies and increasing them in gold.

The US decision to sell gold at a lower price than its official value of $35 per ounce is expected to cause a sharp drop in the price of gold on world markets.

The sale is expected to reduce the US gold stocks by about 15% and to accelerate the downward trend in gold prices.

The decision is seen as a further indication of the US government's commitment to maintaining a stable dollar.

The move is likely to increase the pressure on other central banks to follow suit and sell their gold reserves.

The sale of gold by the US is also likely to have implications for the stability of the international financial system.

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R150-m gold question mark

By Adam Payne

The South African gold mining industry is heading for a R150-million bonanza because of a probable change in the valuation of gold reserves, resulting in a revision of the deferred wage payments made to Mozambique.

These payments are made in gold valued at $42.22 an ounce. To meet a commitment of about R150-million a year — at the newly-advanced rates of pay for African miners — the industry is paying out gold worth nearly R200-million at free market prices.

Thus, Mozambique is getting a present of R150-million under a system which does not apply to any other country supplying labour to the mines.

Any change in the practice will probably flow from a revaluation of gold, and on this score it is confidently expected in monetary circles that South Africa will follow France in revaluing reserves at prices related to the free market.

A R150-million bonanza resulting from such a change would provide funds from which the gold and coal mining industry could again raise Black wages, thus increasing the attraction of mining for South African workers.

The recent steep increases in mine wages have resulted in a higher proportion of South African Blacks working on the gold and coal mines than at any time in the past.

The issue of changing the basis of making deferred-wage payments to Mozambique under the Mozambique Convention is a delicate one because of Mozambique’s desperate economic situation.

Any reduction resulting from a gold revaluation would be a severe blow.

Background to the situation is the battle between France and the United States on the role and value of gold in the international monetary system.

They failed to reach agreement in the Committee of Twenty when it met recently in Paris, but were close to agreement on many aspects.

The committee will again attempt to resolve the differences at the end of August, immediately before the annual meeting of the IMF in Washington in September.

If the committee decides to recommend the abolition of the present official price of gold of $42.22 an ounce, its recommendation will go to the Board of Governors, which meets in September. The board consists of 126 members, including South Africa.

Assuming that the recommendation is adopted, some months will elapse before the articles of the fund are changed.

If they are changed, it is certain that South Africa, along with other countries, will revalue its gold reserves at a price related to the free market level, as France has already done.

In any case, even if the IMF does not abolish the $42.22 price, it is likely South Africa will follow France’s example in revaluing its reserves at a realistic price.

This step is being considered by the Government, but it is unlikely that any action will be taken until after the IMF meeting.

Under the Mozambique Convention, first signed early in the century and revised later, deferred pay for Mozambique mine workers is sent to Lourenco Marques in gold valued at the “public rate of exchange.”

For decades the price was fixed at $30.67, $35 and recently $42.22. Now the free market, at which gold is traded, can logically be regarded as the “public rate of exchange.”

A change in the value of the reserves would enable South Africa to call for discussions with the Frelimo Government on a revision of the agreement relating to deferred pay.

There are 86,000 Mozambique workers on the mines, almost all of them working underground.
SA negotiating R31m deals with 8 Black states

CAPE TOWN — Contracts valued at R31m in eight African states are at present being negotiated by the Credit Guarantee Corporation of SA, the Deputy Secretary of Finance, Dr. H. de Loor, announced here.

He told the International Association of Commerce and Commerce Students Congress that the authorities intend to continue with the non-communist approach adopted by the SA exchange control in Southern Africa in countries outside the Rand Monetary area.

He said the question which now arises is whether the time has arrived for the establishment of a Southern African regional development institution, which would take the initiative for the various efforts of individuals, state bodies and development bodies to promote investments in the less developed areas.

Dr. de Loor said that the official gold price in South Africa will be linked to that of the New York market for part of the year, gaining ground in South Africa's role as a gold supplier.

In terms of the Marshall Plan, South Africa has indicated its readiness to participate in the region's development. The plan includes the Lusaka, Malsaita, water supply, and the Swaziland dam. Discussions have been held with potential buyers in the region.

The price of the gold is linked to the dollar at $35 per ounce, and there are projections for the purchase of 100 million dollars of gold in the next year. The government has allocated funds for the development of the region, and the aim is to have a stable economic environment.

Their position on the map of international forces inclines them to hope for positive interaction with the rest of the world. Before there can be any possibility of an 'African Common Market', economic development based on interdependence within these countries must ensue, and acceptance of a new pattern of multinational co-operation is necessary.

South Africa, in its capacity as the headquarters of the New York market for part of the year, is in a position to play a significant role in the region's development. The government has allocated funds for the development of the region, and the aim is to have a stable economic environment.

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Gold not sold for oil

-Horwood-

Cape Times Correspondent

LONDON - The South African Minister of Finance, Senator O. P. F. Horwood, yesterday quashed suggestions that South Africa is trading gold for oil from an Arab oil producer.

He said that there was no formal agreement between South Africa and any Arab country to exchange gold for oil.

The Minister was speaking in London where he had been meeting with top financiers and businessmen on a study trip. He said that he was studying economic conditions in Europe and having discussions with potential investors in South Africa.

He is accompanied by the Secretary for Finance Mr. Gerald Browne.

Senator Horwood spoke about gold and said that he expected South African gold production to average about 770 tons in 1975, about 25 percent down on the 1970 production figure. This was a high point in gold production in South Africa.
Rothschild keeps faith with bullion

LONDON. — Rothschild is keeping faith with gold. This week preliminary figures from the Rl45-million Rothschild Investment Trust, an offshoot of the international merchant banking and bullion-house, N. M. Rothschild, in London, indicated that it has held its stake in gold despite the ups and downs of share and metal prices in the last year.

No details are yet available, and the company will not comment ahead of the full annual report due at the end of this month.

But with profits before tax up by R780,000 (20 per cent) owing to higher gold mine dividends and interest received on the group's R31-million cash holding, it appears Rothschild Investment Trust's holdings of Krugerrands and mining and finance shares have remained unchanged. At last balance sheet date this was estimated at 28.5 per cent.

Krugerrand sales begin to move

Sales of Krugerrands have recovered after the blow dealt by the ban announced in the British Budget on April 15.

They were at a peak of 669,000 in March, dipped only slightly to 549,500 in April because of a pre-Budget surge in buying, and plunged to 188,100 in May after the Budget.

Latest figures from the International Gold Corporation show a recovery to 220,000 in June.

A campaign to promote the coins is under way in West Germany, where demand is increasing. A further campaign is to be launched in the United States.
LONDON. — A 'substantial' profit on its holding of Kruger rands has helped produce a rise of nearly 300 percent in pre-tax profits for Jim Slater's Lubok Holdings in the first six months of this year.

The interim figures showed the 'first profits impact' of Lubok's investment operations in South Africa, a spokesman for the group said.

Lubok's figures for the six months to June 30 were: Gross revenue R250,000 (£372,000), up 700 percent from R70,000 (£34,000); pre-tax profits R311,000 (£156,000), up 297 percent from R33,000 (£31,000) and profits after tax, boosted by tax-losses in certain acquisitions, were R190,000 (£122,000), up 662 percent from R25,000 (£16,000).

SOLD GOLDS
A statement from Lubok said it had sold all its gold shares in order to concentrate on expanding Saelc, in which it holds 30 percent.

'We have reduced very considerably our holding of Kruger rands at a substantial profit,' said the company. It declined to disclose how much of the profit increase derived from dealing in Kruger rands.

The spokesman said: 'You can draw your own conclusions from the word 'substantial'.

It is believed Lubok's Kruger rand holdings totalled more than R1,6-million (over £1-million) earlier this year. And when Chancellor Denis Healey froze further imports of Kruger rands, creating a closed market in Britain, they went to a higher premium over their gold content enabling Lubok to take a handsome profit.

A SURPRISE
But the sale of the Kruger rands came as a surprise to the stock market here as Mr Slater had previously been highly bullish about the coins as a hedge against economic-disaster.

Meanwhile, the company says Saelc, which is bidding for 51 percent of Sinclair Holdings, will continue to be active in the takeover market in South Africa.

Another deal involving the group is expected to be announced today in Johannesburg, where Lubok director Stuart Pegg is now living.
Grappling with an inflationary economy in difficult times

Question: How severe is the current recession in South Africa? 
Answer: The real growth rate of South Africa is expected to be balance three and four percent in 1978 compared with zero growth during the past two years in several European countries, however, the growth rate is either zero or negative.

How much unemployment is there in the country? 
The unemployment rate of whites, Africans and Coloureds is 6.4 percent, but there are no reliable figures for blacks. It would be useful, however, if we did examine methods to determine the extent of black unemployment.

In the past few years, high costs, spending and the money supply have increased as a rapid rate. Since these three factors are highly interconnected, what policy will be pursued in the next year or two?
Government spending has grown at a slightly higher rate than the gross domestic product. It is incorrect to say that an increase in Government spending or the money supply is necessarily inflationary, but growth in the economy is growing at full capacity or more and the trend is upward.

The South African economy is growing at 4.2 percent. At this rate, the Government spending for the money is growing at an immediate, direct effect on inflation.

The rate of growth is going to accelerate so we will certainly have to see that neither Government spending nor the money supply rises rapidly enough to raise the rate of inflation.

What is the extent of public sector participation in the economy? 
Expenditure of the Government amounted to 12.7 percent of GNP, a domestic product, and the gross domestic investment of the Government amounted to 4.4 percent.

In 1975, the public sector (central government, government enterprises, South African Railways, etc.) employed about 12 percent of the economically active population.

money and are contributing towards inflation. What steps is the Government taking to recoup the needs of the producer with that of the consumer?
One of the functions of the agriculture control boards is to achieve greater stability in the farming industry, which is subject to great fluctuations because of the weather and other vicissitudes.
In 1974 agricultural producers' prices rose by 11.4 percent, which is less than the consumer prices index. The Government assists both producer and consumer by subsidising basic foodstuffs. The total amount budgeted for this purpose is R138m.

Will there be 'fiscal action on inflation, during the next 12 months? 
There is signs that the rate of inflation is decreasing, but the position is not satisfactory, and the Government is determined to take firm action. The latest Reserve Bank moves to control credit is one of the outcomes.

Others misuse errors to improve productivity and performance to restrain increases in prices and wages.
If the Government finds it difficult to combat inflation because of schemes linked to a cost of living index, these bonds would offset the erosion of savings, especially for the "little man."
Cost of living index, however, has not been taken.

Inflation, also creates inequities in the tax system. More and more money flows to the Treasurer as wages and salaries are adjusted to meet inflation. Is it possible that South Africa will follow Canada and index taxation?
It is, of course, true that a progressive income tax produces a more than proportional increase of revenue during inflation. Other taxes, for example customs and excise duties, show an opposite tendency, but I have not heard any suggestions for improvements, The situation should improve because of a decline in imports and an increase in exports, as overseas economies recover next year.

Increase in this gold price is also likely to assist the inflation of payments. 
This capital inflow to South Africa is probably derived from current accounts in Southern Africa. It is necessary to understand how do you envisage a change to the situation?
Although there is much appreciation, abroad, for Southern Africa's progress, current accounts in other parts of Southern Africa are causing some hesitation among investors in respect of investment in South Africa. Much foreign investment, however, is still coming in.
By Esmond Frank

THE ECONOMY is poised for growth, says Mr. Eric McKie, president of the Johannesburg Stock Exchange.

But the economic future depends on the price of gold and an inflow of foreign investment capital, which, in turn, depends on relaxation of exchange control and on political stability.

He said this week that the outcome of the Rhodesian talks, due to be held before the end of the month, could have a vital bearing on the economy's growth and prosperity of Southern Africa.

An amicable solution to the Rhodesian problem would do much to re-establish confidence in the region as an area for foreign investment.

But an overnight transition to majority rule in Rhodesia would repel rather than attract foreign capital because of the economic chaos experienced in most other independent Black states.

A gradual transition over 10 to 15 years would probably be in the best interests of Rhodesia and Southern Africa.

Mr. McKie welcomed the statement by Senator Owen Horwood, Minister of Finance, that he had been decided in principle that blocked funds would be made directly transferable between non-residents.

Blocked funds are funds realised when foreign-owned assets, such as shares, are sold in South Africa. In terms of the regulations designed to prevent an outflow of capital, blocked funds can only be transferred by buying or selling South African gilt and gilt-edge securities.

Mr. McKie said foreign investment must be encouraged, either directly or through the stock exchange.

There is no doubt in my mind that problems related to the blocked fund and its non-transferability, and other related problems, have resulted in a vast amount of foreign investment by-passing the Johannesburg Stock Exchange.

The exchange had asked the Reserve Bank to allow blocked funds to be used for subscription to any rights issues.

The government had not allowed foreign investors to use blocked funds to take up rights of the recent Free State Sheep and Delekuat issues.

"The continuation of such a policy, in my opinion, can only damage the investment image of South Africa in the eyes of foreign investors."

Increased stock exchange activity would psychologically enhance the country's image as an area for investment.

The stabilisation of the gold price at a minimum 170 dollars for 1975 was of the greatest importance to balance of payments.

"As there appears to be no willingness of interest by overseas investors, contributory factors included:

- A levelling off of the uninterrupted rise in the price of bullion that sustained the higher volumes of 1974.
- The growing fear that the election results, strikes and the repatriation of mineworkers to their homelands would disrupt gold production.
- The accelerating costs of production when measured against the behaviour of the volatile bullion price.
- Political events in Mozambique and Angola.

United Kingdom investor interest in South African equities was dampened by the imposition of a 25 percent surrender of the investment currency premium and the widening of this premium to new high levels.

"Although many of..."
78pc SLUMP
FOR SLATER

SHORN of 1974’s gold share-dealing profits, Slater, Walker Securities’ first-half profits slumped by 78 percent this year.

Preliminary figures issued in London show investment dealing profits came to only R351 000 against more than R9-million, all from gold share dealings in 1974.

Banking profits were 46 percent down, property losses were 162 percent higher, while commercial and industrial activities’ earnings fell 35 percent.

Only investment management insurance and investment income showed increases, but that still left pre-tax profits down at R3.5-million against R16-million.
IMF MEETING F.M. 29/10/85

Gold and Frelimo

A minor yet nonetheless intriguing angle likely to arise from next week's IMF meeting will be the effect that any decision on gold has on the Mozambique Convention.

Under this Convention, deferred pay of Mozambican miners in SA is remitted to Lourenco Marques in the form of gold at its official price, which Frelimo can then sell on the free market at a profit. The profit, it has been estimated, could amount to anything up to R100m-R150m a year.

One man's profit is, of course, another man's loss — in this case the mining companies'. Were it not for the gold clause of the Convention, the mines could sell the LM gold through the Reserve Bank for the full free market price.

Where the IMF comes into the picture is through its regulation of the official gold price. At present the price is $42/oz. But on Sunday the IMF's Interim Committee will meet in Washington where one of the items on the agenda is likely to be a proposal to abolish the official price altogether.

If that happens, countries with official gold stocks will have to decide on a new way to value them. Probably most will follow France, which earlier this year started valuing its gold at a market-related price. Certainly, this is what SA is likely to do.

And if SA values its official gold stocks at a market-related price, it will almost certainly have to change the mechanism through which it buys gold from the mines.

The present arrangement is to pay the mines the official price when the gold is delivered and the balance after the gold has been sold at the free market price in Zurich and London. Under any new arrangement the mines would probably be paid the full market price (or at least a market-related price) as and when they deliver the gold to Pretoria.

But what about the gold that goes to Mozambique? There are several options:

1) SA could re-negotiate the Convention. After all, the original agreement was with Portugal, not Frelimo.

2) It could justifiably claim that the official price mentioned in the convention was now the same thing as the market price (which indeed, from the SA Treasury's point of view, it would be). In that case Mozambique would lose its windfall.

3) It could opt for 2, but either the Chamber of Mines or the taxpayer (or both) could (wholly or partially) make up Mozambique's loss by paying it a direct subsidy. From the Chamber's point of view, this could well be the price it has to pay for continuing to be allowed to recruit Mozambican miners. From the taxpayers' point of view, it could be the price of continued good-neighbourliness.

4) SA could carry on roughly as before, by specifically inserting a $42 price into the relevant clause of the Convention. In this case the Reserve Bank could buy the LM gold from the mines at $42 and the balance at the free market price. Or it could buy all gold from the mines at the market price and then, in respect of any gold sent to LM, debit them with the difference between the market price and $42. Or it could arrange for the Chamber itself to sell the LM gold at $42 to Mozambique, the balance being sold to Church Square at the market price.

Of course, any arrangement by which Mozambique received an explicit handout in return for allowing the mines to continue to recruit there, might immediately result in similar demands from other countries where recruiting takes place, like Lesotho or Botswana. If such demands were granted, mining profits would be cut sharply.

Choosing the right course will therefore be an extremely ticklish exercise in which détente will be put to the test.
Experts foresee rally in gold

Mercury Correspondent

LONDON — On the international markets of the world it is a struggle to sustain interest in gold at present but two expert newsletters expect to see a rally in the near future.

Green's commodity market comments, published by the Economic News Agency, notes the success of the "herculean efforts on the part of the gnomes of Zurich" to keep the bullion price above 160 dollars.

It comments that the gnomes might even be able to "stage a rally until such time as the IMF sells part of its gold in the free market."

During August, an unusual event occurred — futures in the U.S. were selling at a discount under the spot price on the IMM in Chicago, suggesting a final attempt by short sellers to break the market.

Not having the gold for delivery, short sellers had to operate in the distant months.

Since the spot price refused to move, the short sellers will be obliged to cover their positions, which should help gold prices to rally.

NEWSLETTER

The "Gold" newsletter penned by the international investment guru, Dr. Harry Schulz and the South African, Mr. Fred MacKillop, also claims that gold has a way to go.

Gold lists all the bearish factors affecting the gold prices — U.S.S.R. gold sale to finance wheat purchases, the threat of U.S. gold auctions and the fact that the technical outlook for gold is bearish — but concludes that gold is holding up well.

"Once the losses of the bears begin to pile up, short covering will drive the market still higher."

Messrs. Schulz and MacKillop also believe that the bear position in shares is probably representative of a similar situation in the metal.

Mr. MacKillop disagrees with U.S. Dow theorist, Richard Russell, who has turned bearish on gold stocks.

Brass

Brass: McGillicuddy Brothers
South Africa (196) U.S. Bauer
prices for the week ended March 5th:

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<td>Extruded copper 60% 14.58 per 1000 kg</td>
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Gold sags on two markets

Financial Editor

Gold tumbled on world bullion markets and the stock market today in reaction to announcement of plans by the International Monetary Fund to sell 20 million oz of bullion from stock to aid poorer nations.

(See Page 3).

On the key London market the price sagged to 154.25 dollars an oz on the fixing level in the wake of weekend falls that pulled it under the 155-dollar level for the first time in nearly a year.

In Zurich the price came down in line to trade between 153.50 and 155 dollars this afternoon.

London shares lost up to 150 pence a piece.
step towards the freer use of gold in international payments. In a Washington statement on Tuesday he said its significance for SA could not be exaggerated.

The Americans also seemed comfortable with it, although there is no question of their having abandoned the aim of removing gold from the monetary system altogether. In London the bullion market's initial reaction was a sharp drop in price.

IMF ministers have agreed to abolish the unrealistic official price of $42.20/oz and remove all references to gold from the Articles of Agreement. And they agreed that the IMF should sell 25m oz of the 150m oz of gold it now holds, using the profit to help poorer countries. Another 25m oz will be returned to IMF members pro rata to their original subscriptions.

They also endorsed an undertaking by major industrial countries, the Group of Ten, not to allow any increase in the aggregate amount of gold held jointly by their central banks and the IMF for two years. And they promised not to try to peg the free market price and to let Basle's Bank of International Settlements and the IMF monitor the accord.

In an obvious attempt to reassure holders Horwood pointed out that sales of IMF gold could be offset by purchases by members of the Group of Ten "and need not, therefore, result in net new sales on the private market."

The agreement represents an end to the long political quarrel between the US and the EEC (chiefly France) over the monetary role of gold. Both sides have compromised — the French letting some gold be used for aid, while the Americans will allow some to be returned to reserves and will drop demands for tighter restrictions on its use.

Besides gold, the ministers also agreed on the distribution of the 32.5% increase in IMF quotas accepted earlier this year.

The result has been to unlock the long-stalled discussion on monetary reform and open the door to a limited agreement at the next IMF Interim Committee meeting in Jamaica in January at which they will have only to resolve the long conflict between France and the US over floating exchange rates. If they cannot, the Americans will refuse to ratify anything decided this week in Washington.

It is possible that much of the gold to be sold by the IMF will be taken up directly by central banks, which can also make compensatory purchases in the free market if the US continues to sell its own reserves to meet industrial demand. Some might be offered to OPEC countries but, if this happens, it will merely increase the number of nations with large gold reserves overvaluing the market.

Where gold's monetary role is concerned, the significance of the agreement is less certain.

The abolition of the official gold price may encourage central banks formally to revalue their holdings to nearer free market levels — and this would give them an interest in not allowing any big decline. They are also quite free now to use gold in settlements among themselves, though the Group of Ten and IMF together may not become net buyers from the private market.

A final question is what happens after this week's two-year agreement expires? It will have to be decided whether to allow complete freedom or continue restrictions. However this point may well be far off, particularly if it takes another year or so to get this week's agreement ratified by each member's parliament.
Gold price should rise' 9/9/75

Cape Times Correspondent

NEW YORK. — The price of gold could move up "substantially" as a result of the new "highly significant" International Monetary Fund understanding on gold's future monetary role, the governor of the South African Reserve Bank, Dr T W de S Jongh, said here yesterday.

"Far from being a step towards the phasing out of gold it clearly has the effect of giving gold an increased and more meaningful role than it has had for some time," he told a large gathering of American bankers and financiers. It was "an important step in the right direction".

Backed him up South Africa's chief IMF representative, Mr. Robert van S Smith, a fact, as had been revalued and repudiated by last week's events in Washington.

They blamed the initial bearish reaction to a "misunderstanding of the understanding" encouraged by the vagueness surrounding it, and the use of misleading phrases.

Both claimed that the provision of the sale of one-sixth of the IMF's gold for the benefit of developing countries would not depress the market and that there would be strong pressure, led by the poorer countries themselves, to realize maximum profits from the sale.
SA will help to mould IMF gold sales policy

John Patten,
The Minister of Finance, Senator Owen Horwood, today indicated strongly that South Africa could have a major hand in any action the International Monetary Fund takes to sell gold.

He was speaking at a Press conference in Pretoria on his return from the annual meetings of the IMF and the World Bank at which he also held in-depth discussions with prominent figures in the monetary, financial and banking world.

Senator Horwood reiterated his continued confidence in gold and forecast that events would cause the gold price to rise again in spite of the interpretations—that gold was being phased out of the international monetary system—which was now temporarily depressing the price.

The Minister claimed the IMF plan to sell gold was no more than an understanding between the richest countries at present and inquiries had shown that the IMF still did not know how it would go about selling the gold.

TOUGH

Because of profits from the sales of one-sixth of its reserves would go to developing countries, these countries for the first time had a vested interest in keeping the price of gold high.

For the IMF, selling gold would be a tough assignment. "They will have to work it out with the greatest possible care in association with South Africa, because we are by far the biggest seller of gold in the world," he said.

The present depressed gold price and the IMF intention to sell gold, said Senator Horwood did not mean there would be a change in South Africa’s gold sales policy.

South African strategy in selling gold was very carefully worked out in the light of conditions of supply and demand. "I cannot think there will be a change."

CONFIDENT

On a possible rise in the gold price, Senator Horwood said: "I think we must have a little patience, but I remain absolutely confident in the future of gold. We are entering a very interesting stage, I am confident the price will move up, particularly if there is further inflation."

Continuing inflation in the rest of the world — and the world was concerned about still-rising inflation in many cases — was "a good point for gold."

Dealing with the present state of the Western world’s economy, Senator Horwood said there was a big contrast between South Africa and what was happening abroad.

In Western Europe and the United States people were talking about negative growth. Expectations that the American economy would soon recover, followed by Western Europe, were now being revised. The picture was very depressed.

South Africa, by contrast, had a good growth rate, little unemployment, strong balance of payments and lower inflation than in other countries.
Agreement on gold is nothing but a big con

WASHINGTON — Like a pool full of satisfied crocodiles, the finance ministers of the world's richest countries spent last week shedding copious tears here on behalf of the world's poorest, while maintaining a discreet silence about the enormous profits which they themselves are about to swallow.

The poor countries were the centre of attention in all public arenas at the annual meeting of the International Monetary Fund and the World Bank. But the important work was settled over dinner by the minister of the big five — the US, West Germany, Japan, France and Britain.

The agreement on gold, which was passed around in the handwriting of Dr. Arthur Burns, chairman of the US Federal Reserve Board, was labelled a further step towards the demonetization of the metal.

If so, it was a strange step in that direction, for it passed huge rewards to those central banks which have been sufficiently prudent and cynical to hoard gold, while punishing those who accepted the assurances that the dollar was "as good as gold" and that special drawing rights, or SDRs, would be better.

The chief beneficiary was the United States, which still values its gold stock a little less than $11,500 million ($8,000 million) using the "official price" of $42.22 (R29.50) an ounce, which is to be abolished.

Sensibly, the Americans refuse to assign a new valuation to their huge gold stock. But it is a matter of simple arithmetic to calculate that at current market prices the US has turned a neat profit of $30,000 (R21,000 million) or so.

The world's second biggest stock of gold belongs to the International Monetary Fund, and the industrial countries have arranged to use the profit from the sale of one-sixth of this hoard for the benefit of the underdeveloped nations.

With luck and shrewd marketing, that profit will reach roughly $3,000 million (R2,100 m) or one-tenth the profit that accrues to the US from the revaluation of its own gold stock.

West Germany, with a gold stock now valued at nearly $5,000 million (R3,500m) and France with almost as big a hoard, are next in line to reap the windfall. The Swiss, the Italians, the Dutch, the Belgians — all prudent nations that have stocked large quantities of gold — profit handsomely.

This being so, it is not surprising that the agreement which Arthur Burns jotted down over dinner makes careful provision to protect the price of gold.

There will, as the South Africans were quick to point out, be no net reduction in the total quantity of monetary gold held by the International Monetary Fund and the group of ten central banks. And later, as other nations accede to the arrangement, the agreement will be expanded to cover the monetary gold stocks of all IMF members.

This means that every gold sale, whether by the US Treasury or by a nation under duress like Portugal, will create an opportunity for another central bank — the French, if they have the cash, or the eager Japanese, or the Arabs — to buy an equivalent quantity.

The price of gold on the private market plummeted early in the week because this arrangement was loudly proclaimed to be a step towards demonetization, raising fears that large quantities of the metal might be dumped on the private market.

By the weekend the market was realizing the absence of such danger. Indeed, the opposite was true. Many new players with a vested interest in a high price of gold have now joined the gold-producing South Africans and Russians — neither of whom, incidentally, is a major beneficiary of the new arrangement since they had already taken their profits on the "free" market.

Who are the losers? Most notably, those nations who sell their commodities to the West for dollars which used to be directly convertible into gold at 500 (R24.50) an ounce but are now indirectly convertible at about $150-$160 (R105-R112).

In a word, the Arabs have been had. — OFNS.
Gold is losing its glister for many

LONDON — The price of gold continued a three-week slide across Europe yesterday and dealers said of the precious metal that man has prized for a thousand years: “People have lost confidence in it.”

But the U.S. dollar, which traditionally strengthens as gold weakens, hit new highs for the year in European foreign exchanges.

The price of gold tumbled to its lowest levels since July, 1974, in most bullion markets. Dealers reported there was no sign of the metal’s slump slowing down. It’s a snowball effect,” a perplexed Frankfurt dealer said.

“Once a seller, then everyone sells. It all seems to be psychological. There’s no logical reason for what’s happening. No one believes in gold any more.”

Gold closed in Zurich at 184 dollars an ounce, down six dollars from Thursday’s closing, to a 19-month low, reports Sapa-Reuters.

In London, it closed at 136.50 dollars an ounce, from Thursday’s 139.50.

The price in Paris fell 4.67 dollars to 139.58 dollars, and in Frankfurt it tumbled 2.55 dollars to 135.75 dollars.

In Pretoria last night, the former Minister of Economic Affairs, Mr. Jan Haak, said he expected South Africa’s gold reserves to be revalued soon.

Mr. Haak, who is president of the Afrikaans Handelsinstitut, told the Welkom Afrikaanse Saakskamer that this would boost the total value of exchange reserves from R600 million to R2.400 million.

“We have never had such large reserves and they place South Africa in a relatively stable position over the short term.”

South Africa, however, would have to make big adjustments to limit imports, stimulate exports and to encourage fixed capital investment.

Mr. Haak said if the low gold price continued it would have a very detrimental effect on overseas earnings.

“I regard the present low price, however, as temporary.”

Gold and share markets were under a cloud at the moment because they had taken fright at the possible marketing of 20 percent of the International Monetary Fund’s gold holdings.

However, the marketing of this gold would not take place overnight. Neither would it necessarily be offered to the public on a free market.

Over the long term and even for 1976, he was optimistic, and he expected that faith in gold would strengthen.

The high price of gold and other minerals had placed South Africa in a position in the past two years to maintain a high level of economic activity.

In 1974 direct imports cost R5,763 million while exports, excluding gold, were R3,201 million.

Fifty percent of this export was derived from minerals and processed raw material.

The Mercury’s Financial Correspondent says that the latest decline set in when the International Monetary Fund decided provisionally on August 31 to sell off part of the IMF’s gold holdings and to abolish the official price of 42.28 dollars an ounce.

Gold investors immediately began to fear that IMF sales would create a surplus of gold that the market would not be able to absorb.

The recent precipitous decline creates serious problems for the IMF’s new gold policy.

The plan is to sell IMF gold at market-related prices to finance a special trust fund for developing countries, but the potential size of the aid fund is shrinking with the price of gold.
Gold price—panic takes its toll

Mining Editor

HEAVY and continuing panic selling of gold by institutional and private holders overseas drove the price down a further $4 an ounce yesterday, to $135.50.

The price has now fallen $20.40 an ounce since August 28. This was when world gold markets first began to realise the International Monetary Fund interim committee was about to agree on abandoning the official gold price and, when permission is eventually granted, sell off 25-million ounces of gold to help third-world countries.

The low gold price has serious implications for South Africa's already delicate balance of payments situation. Gold is the country's single biggest foreign exchange earner. The recent $20 fall, for example, means South Africa will earn around $806-million a year less from current mine output than when the price stood at $150 an ounce.

If the price stays down, or goes lower still — as could well happen — the Government will have to take major corrective action. Likely measures could involve a devaluation of the Rand, which would boost gold revenue in dollar terms and cut down imports, and sharp cutbacks in Government spending and investment plans. Interest rates might also be raised further to attract more overseas money.
It's not all that bad

Says Anglo's gold

By ADAM PAYNE

Gold price of $125.00 an oz. which was once so

Dennis Etheredge, head of Anglo American Cor

poration's gold division, said that the gold

sitting in several mines in the Krugersdorp and Free

State, sounded a reassuring and re

assuring note to those who view the situa-

tion with gloom and concern.

"We have learned from the firm that there will be a

lump sum in the gold price during 1976. This is faith in

the IMF's gold support agreement and in the gold

market, with regards to the future of gold.

"The gold price is expected to go up by

are large volume but not a lack of buyers, with

Anglo American showing the market that bottomed out

in 1975 will remain at its present level.

"We do not see the market climbing as fast as some

people believe, but we are satisfied that there will be a

strong Rally in the medium term.

"The IMF's gold support agreement is being

seen as a positive development for the gold market.

"The gold price is expected to increase, and this

is seen as a positive development for the gold market.

1. Fluctuations

"We have seen violent fluctuations in the gold market and they are

expected to continue in the future. This is why we have

seen prices go up.

2. Costs

"The gold price is expected to increase, and this is seen as a

positive development for the gold market. However, there are

risks involved in the gold market, such as the possibility of a

market crash.

"The gold price is expected to increase, and this is seen as a

positive development for the gold market. However, there are

risks involved in the gold market, such as the possibility of a

market crash.

3. Problem

"The IMF plan does not get ratified until January 12th and it

extensive "rationalization" of the gold market. This means that

the members of the association will have to agree to the plan and

the price of the gold will be reduced.

4. State aid

"In view of the low gold price, even after the IMF plan, the

gold price will find it difficult to make profits as costs in-

crease. Do you approve of state aid being continued?

I favour the continuance.
Reserves jump to 18-month high

THE RESERVE Bank's gold and other foreign reserves for the week ended September 26 jumped by R142-million to R316 012 199, their highest level since March 1974.

The rise reflects the drawing down of South Africa's gold tranche with the International Monetary Fund. This tranche, which has probably taken in currency and SDRs, was worth around R532-million.

The balance of the revaluation increase reflects the revaluation of the Bank's holdings of foreign exchange and SDRs following the devaluation.

The surprising feature is the modest R1 391 110 rise in gold holdings to R250 583 143. This revaluation level of around 1.35 of gold represents only about 3.3 percent of current output.

This amazed London bullion dealers who, based on their actual market experience, expected revaluation to be much higher. Several dealers thought South Africa must have exercised a direct sale to some overseas monetary agency.

Rogerson reports that South Africa recorded a R457-million deficit on current account of the balance of payments in the second quarter of 1975 compared with a deficit of R349-million in the first quarter and a deficit of R163-million in the second quarter of last year, the Reserve Bank said.

The Bank said in its quarterly bulletin that at annual rate the deficit increased to R496-million in the second quarter from R1 518-million in the first quarter.

This occurred in spite of a slight decline in merchandise imports and resulted from a sharp rise in service payments to foreigners, coupled with small decreases in the net gold output and merchandise exports.

Net gold output was R515-million in the quarter ended June compared with R638-million in the first quarter and R648-million in the second quarter of last year.

The Bank said annualised net gold output fell to R2 432-million in the second quarter due to a sharp drop in the gold price. This was only partially offset by an increase in the volume of gold production.

The Bank said service payments to foreigners amounted to R2 933-million annualised on second quarter figures.

Net short-term private capital inflow declined to R28-million in second quarter from R229-million in the first quarter.

Overall there was a net inflow of capital of R472-million in the quarter compared with an inflow of R355-million in the first quarter and an outflow of R25-million in the second quarter of last year.

There was a marked increase in the net inflow to the central Government due mainly to a sharp rise in official overseas loans to strengthen the balance of payments.
IMF gold pact 'may backfire'

The Star Bureau
WASHINGTON — Mr. Henry Fowler, one of the fiercest of all American opponents of gold, has warned Congress that the latest international agreement on sales from International Monetary Fund stocks may backfire on the US.

The price of gold fell sharply after the announcement at the beginning of September that the IMF would sell one sixth of its gold and return another sixth to the central banks which subscribed it.

The agreement on IMF sales, Mr. Fowler told the Joint Economic Committee of Congress, was "far more likely to increase than reduce the role of gold" in the monetary system.

He observed that the tentative agreement reached by the Finance Ministers of the great Uprising Congress to op-IMF meeting was double-edged.

While it allowed sales of gold from the IMF it also had an implicit corollary which would allow central banks to buy and sell gold freely after two years.

Mr. Fowler said the net effect would be to give windfall profits to a few large, wealthy, gold-holding industrial states. He did not, however, say that the chief beneficiary would be the US which has the world's biggest gold stock.

Urging Congress to oppose the agreement, Mr. Fowler said it would set back or undermine a decade of effort to eliminate gold from the monetary system.

Officials here recalled that until Mr. Fowler left the Treasury in late 1968, South Africa could make no progress in its efforts to get an agreement on gold sales in the two-tier market which Mr. Fowler helped create.

As soon as he left the Treasury, however, the South African representative to the IMF at the time, Dr. Gerhard de Kock, quickly negotiated an agreement with Mr. Paul Volcker, the Treasury's expert, which went into effect at the end of 1969.

That agreement allowed South Africa to make substantial gold sales to the IMF during 1970 when the price was dipping below $35 dollars an ounce. Some of those on the scene at the time believed that the 1969 agreement would have been impossible to achieve if Mr. Fowler had remained at the Treasury.
In recent years we have come to look upon the position of gold in the monetary system as unassailable because we have failed to view it in its historic setting, particularly the role it has played in the last 50 years.

Until the outbreak of World War I in 1914 the full-blooded Gold Standard, in which all forms of money were ultimately convertible into ordinary gold which was freely exportable, ruled supreme. With London the undisputed financial centre of the world.

And until the outbreak of war foreign exchange rates moved automatically between the Gold Points — basically, according to how far each currency was covered by gold reserves — so much so that it was 1931 before the world's leading bank, the Bank of England, found need to create a foreign exchange department.

Britain suspended the Gold Standard during World War I and resumed a modified standard in 1925. It was known as the Managed Bullion Standard, with notes convertible not into coins, but only into gold bars which, in turn, could be used only for export.

This limited convertibility was suspended in Britain in 1931 and the Gold Standard was suspended in most countries during the great depression of the 1930s in South Africa, with disastrous results, clinging to the Gold Standard until 1932.

With the suspension of the Gold Standard, the link between the volume of a country's metallic reserves and the credit granted by other countries was broken. There was a total withdrawal of gold coins from circulation and the main practical use of gold reserves, held by central banks, was to meet a deficit in the balance of international payments.

Following the abandonment of the automatic Gold Standard and the subsequent Managed Bullion Standard in the early 1930s, the role of gold in the national and international credit structure was largely superceded by what has come to be known as Monetary Policy.

Monetary Policy, generally, has four main objectives:

- The highest sustainable rate of economic growth;
- Relatively stable domestic price levels;
- Maintenance of a stable exchange rate for the country's currency and protection of its international reserve position.

The declining role of gold

The main channel for the application of Monetary Policy is the national budget, and the areas covered by the policy since World War II have become increasingly diverse.

Monetary Policy nowadays is the prerogative of the central government and it is only in the execution of policy decisions that central banks have a free hand.

The influence a government can exercise through Monetary Policy is so extensive that, as Professor Knapp maintains in his standard work "The State Theory of Money," it can to a large extent determine the value of its money independently of the amount of gold held in reserve by the central bank, thus becoming the master of its monetary destiny.

The state can stimulate and strengthen the national economy in several ways:

- By promoting export trade in those fields in which the country has comparative cost advantages and restricting certain imports, as South Africa has been doing;
- By forcing consumption into certain directions through excise duties; and
- By controlling the extent of the community's purchasing power through purchase taxes.

With these and similar measures a government can materially reduce the dependence of its economy on gold and further reduce the liquidity importance of gold.

What is most important is not the quantity of gold held in reserve, but the manner in which productive resources are exploited to place the country on an internationally competitive level.

If the resources falter through a lack of sound leadership, mismanagement, strikes and the like, no amount of gold would save the country's currency.

It is clear that the role of gold in the monetary world has declined over the past half-century. To South Africa this must be a most disquieting situation.

What is reassuring, however, is the increase in the industrial use of gold. During the 1960s, it is estimated, the consumption of gold in industry and the fine arts more than doubled.

To stimulate the industrial use of gold, it is necessary that the price should be fixed on a long-range basis, thus removing uncertainty and speculative pressure.

It is necessary, too, that the price should not be so high as to militate against its demand for certain crafts such as jewellery, which can be developed into important industrial outlets for gold.
Gold will have a more important role to play

The understanding on gold reached by the Interim Committee of the International Monetary Fund in Washington recently, will give an increased and more meaningful role to gold, the president of the Chamber of Mines, Mr. R. S. Lawrence, said.

He told the visiting West German economic mission to South Africa he was optimistic about the outlook for gold and did not share the gloom displayed in some quarters.

International reaction on gold markets and stock exchanges to the understanding had been largely adverse due to widespread misunderstanding, he said.

The confusion created had perhaps not been surprising in view of the vagueness surrounding the agreement on sales of the fund's gold and the use of phrases such as "reducing the role" and "abolishing the official price for gold," all of which were easily open to misunderstanding and to misinterpretation.

"On closer examination, however, the new understanding in reality represents a highly significant and positive development for gold," said Mr. Lawrence.

"It is interesting to see that Mr. Henry Fowler, former US Secretary to the Treasury, who is usually in the opposite camp on gold matters from me, for once shares my view."

The Chamber, he said, was satisfied that the agreement reached was far from being a step towards the phasing out of gold.

"On the contrary, the changes have the effect of giving gold an increased and more meaningful monetary role."

He added: "We expect that the understanding will reflect favourably on the gold markets once its full implications are more generally realised."

"Thus the gold price will, despite fluctuations, reach more favourable levels again in the medium and long term."

"We are confident that gold mining will continue to thrive, to provide a market for the production of other industries, to be a prime generator of economic activity and the major earner of foreign exchange." — Sapa.
Gold shares have proved sensitive to day-to-day bullion price fluctuations, but there is no close relationship between this and revenue received by the mines or the daily free market price during their accounting periods covered by quarterly reports.

This arises from the system employed for the marketing of gold and, more recently, to some extent from the timing of production and sales of Krugerrands.

Basing of profit estimates on short-term gold price movements, therefore, cannot be done with any degree of accuracy, and variations in average revenue an ounce earned by individual mines have no significance.

SMALL CHARGE

The focal point of the operation is the Rand Refinery, which refines the bullion for the producers assaying about 88 percent gold into fine bars containing at least 99.5 percent gold.

This process takes from five to 15 days. As the fine bars are produced, the gold content is allocated to producers in chronological order of the original receipt of their bullion at the refinery.

This “first in, first out” principle applies throughout marketing activities.

Each day the refinery advises the Reserve Bank of the amount of gold available for sale at the official price, less a small handling charge, and which mines are to be paid for it.

The Reserve Bank, as the industry’s agent, sells some or all of the gold on the free market in London Friday of the next month.

The actual distribution to the mines is made on the fourth last working day of each month.

On occasions, the Reserve Bank, in addition to newly-mined gold, sells from stocks taken into account at the official price and passes on the premium. Here again, the case, since period payments in gold at the official price are made to the Mozambique authorities for the deferred pay earned by Black mine workers.

In the case of Krugerrand transactions, coin blanks are made at the Rand Refinery out of gold in the course of refining. These are sent to the Mint in Pretoria for striking and returned to the refinery for marketing.

As consignments are sold and payment received, producers — again in chronological order of deposits of bullion — are paid out R29.75 for each ounce of gold involved.

The balance, representing the profit on sales is placed in a “gold pool account” operated by the refinery. It also provides a stock of gold to the Mint, which sells it locally for industrial use, included to those prevailing on the free market.

VARIABLES

Proceeds are passed on to the refinery for the credit of the gold pool account. The premium is passed on and distributed among producers on the same basis as that from sales of current production on the free market.

There are thus several variables in the marketing machinery that can and do affect the average price for gold received by individual mines.

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What correlation is there between short-term movements of the free market gold price and mining profits? MAC THAIN describes how output is handled and marketed and the system for allocating free market premiums to each mine.

London and Zurich. Once a month, it passes on the premium earned on sales above the official price.

In the case of newly mined gold, premium receipts are allocated by the Chamber of Mines on the basis of bullion deposited by each producer with the refinery from the close of the third last Friday in one month to the third last Friday of the preceding month.

The period in which the premium for distribution accrues is from the second last Friday in one month to the second last first-in-first-out system applies, with the result that the premium is allocated on a pro rata basis according to the quantities of bullion deposited with the refinery at the time this gold was taken into monetary stocks.

A consequence of this is to newly mined gold, sells smaller cut of the premium than older ones.

There is a tendency in some quarters to equate drops in Reserve Bank gold holdings with sales of gold from stocks on the free market. This is not necessarily
Gold price of 1,000 dollars predicted

JOHANNESBURG — Gold should reach the 200 dollar mark next year, says the chairman of the South African Gold Coin Exchange (Pty) Ltd, Mr Eli Levine, and it could go as high as 1,000 dollars in 1978, he writes in Kruger Millions, a newsletter published by the company.

The gold and gold share index had moved up rather too rapidly in the past few weeks, he said, and some minor reaction and stagnation was likely to occur.

"Nevertheless, I believe we are in a bull market, and that gold could exceed the 150 dollar mark, but is unlikely to go beyond it this year.

"Next year, 1978, should bring us the magical 200 dollar mark for gold, and fairly wide swings in the price are likely to eventuate, more especially setbacks to the 180-dollar mark, and when a gradual climb through the 220 dollar mark is eventually achieved, the next advance to about 250 dollars is likely to be fairly rapid.

"When gold eventually reaches its true value, which could be 1,000 dollars in 1978, it will remain on a plateau for some years to come." — SAPA.
Gold price in plunge to $126

Michael Chester, Financial Editor

The price of gold — the essential lifeline to the whole South African economy — today toppled to its lowest levels for more than two years.

On the key London bullion market, the main pace-setter, gold was fixed this morning at 126 dollars an ounce, the lowest since January 1974 and nearly three dollars below the ebb touched in September that pressed the button on the huge rand devaluation.

The vital role of gold in South Africa is shown by statistics indicating that the nation last year pulled in about R2.556 million from bullion sales overseas to overcome a trade gap that yawns open as far as R1.667 million in import-export business.

(See Page 25.)

All the more reliance is placed by the Government on gold profits now that the national defence bill is soaring because of the Angola conflict.

The current price of 126 dollars compares with 175.28 dollars an ounce and a peak of nearly 200 dollars at the tail end of 1977.

It was not only in Lon-
Gold price decline is ‘temporary’

John Patten, Political Correspondent

CAPE TOWN — The Minister of Finance, Senator Horwood, has not ruled out the possibility of a further decline in the gold price, but he said in Cape Town today he expected it to be “temporary” and “short-lived.”

Senator Horwood gave his views in reply to questions by The Star following the recent heavy fall in the gold price.

The most important reason the Minister gave for the present gold price fall was uncertainty concerning methods the International Monetary Fund will adopt to sell one-sixth of its gold holdings for the benefit of the developing countries.

“Once this uncertainty is removed, I am confident that greater stability will return to the gold market,” he said.

Dealing with prospects for the South African economy in view of the falling gold price and the simultaneous rising Military commitments caused by the Angola war, Senator Horwood said: “We should keep the gold price in perspective. In terms of the rand, the present gold price on the private market is approximately the same as the average price during the year 1974, which was 67 percent higher than in the preceding year.

STEADY GROWTH

“I expect the South African economy to show a moderate, steady growth rate this year, which should accelerate as the economies of Europe and America start to pick up.”

Asked whether the Government would consider withholding part of the country’s gold production till the gold price rose, the Minister said the South African authorities...
Gold prices

91. Mr G H WADDILL asked the Minister of Finance:

On what prices of gold were revenue estimates based in the 1975-76 budget.

The Minister of Finance:

The estimate of the yield of the income tax on gold mines is based on several factors in addition to the gold price, for example, production costs, grade of ore, percentage of gold production sold in the private market, and so forth. Some of these factors are of a confidential nature and I do not consider it to be in the public interest at this juncture to disclose details of the estimates involved.
William and his family moved to the Lomberg district, where they were allocated a farm of 100 acres. William had six children, all of whom were forced to work on the farm from an early age. They lived in a small, wooden house with no running water or electricity. William's children were not allowed to attend school and were forced to work from dawn until dusk. The family was denied access to medical care and the children were often ill but had no way to seek treatment.

The government of South Africa was establishing homelands in the 1970s as part of their policy of apartheid. The homelands were intended to be self-governing black states. However, the residents of the homelands were subjected to severe restrictions on movement and had no legal rights. William and his family were among those who were forced to leave their homeland and move to the Cape Flats, a slum area in Cape Town. They were expected to work in the factories and on the farms for low wages.

The situation was made worse by the prevalence of tuberculosis and other diseases, which were rampant in the overcrowded and unsanitary conditions of the Cape Flats. William's children contracted tuberculosis and were sent to a special hospital in Cape Town. They were not able to return home for many years.

William's family was among the many who were evicted from the Cape Flats in the 1980s as part of the government's effort to clear the area for development. They were forced to move to an even worse area, where they lived in even more dire conditions. William died of tuberculosis in 1987, leaving behind a family that had been subjected to years of hardship and suffering.

This is an excerpt from a documentary film about the lives of Black South Africans during the apartheid era.
TOP US MONEY MAN HAS PLANS TO MOVE GOLD

By PETER MASON

AMBITIOUS plans to increase South African gold sales by stimulating demand for the metal on the United States domestic market are being put together in South Africa following a week-long round of top-level confidential talks involving Cabinet Ministers, mining industry finance chiefs and leading bankers and financiers.

This was disclosed to me this week by the man behind the move, top American money market consultant George Friedensohn, whose "linkage theory" forecasts on international money matters have aroused worldwide interest and made him a sought-after confidante of kings, presidents, government ministers and financial institutions.

Domestic

The plan — details of which are yet to be disclosed — could involve the sale of up to 50,000 ounces of gold a day on the United States domestic market.

Mr Friedensohn, who describes himself as "an international economic and monetary consultant to banks and other major financial institutions," told me in an exclusive interview in Johannesburg that he had put forward a number of far-reaching proposals to some of the country's top financial brains — among them the State President and former Finance Minister Dr Nels Diebner, Minister of Finance Senator Owen Herwood, Mr Don McKay-Coghill, manager of Integold, the marketing arm of the Chamber of Mines, and the chairmen, managing directors and senior executives of most of the country's leading banks and financial institutions.

"I can't say at this stage what the proposals or how they will be implemented," Mr Friedensohn told me.

"But I can tell you that they have been extremely well-received, and have the blessing of the Minister of Finance and the other parties involved."

The gold marketing package is being put together jointly by Mr Friedensohn's company, George Friedensohn Co. and Integold, which will handle the South African end of the deal.

Mr Friedensohn, a leading advocate of international monetary reform through a return to the gold standard, said he plans to divert into the private gold market some of the 500 billion dollars of personal savings currently estimated to be in American savings institutions by demonstrating the value of gold as an inflation-hedging investment.

Concern

"The potential is certainly there," he told me, "if the average man-in-the-street, who is concerned about inflation eroding his savings and wants to diversify a little bit, takes just five percent of his savings and puts it into gold or Kruger rands, then we're talking about a 25 billion dollar market."

"The gold market in the United States is very small at the moment. But if the proposals I have put forward during my talks in South Africa are put into operation, I think we can see this market really taking off."

And, he added: "The benefits to South Africa are tremendous. It will ensure a steady, and growing, market for South African-produced gold, and the proceeds from these increased gold sales will have a tremendously beneficial effect on South Africa's balance of payments."

Theory

Mr Friedensohn's international esteem derives largely from his so-called "linkage theory" which states simply that the root cause of worldwide inflation is the International Monetary System itself.

Using this theory, he claims that inflation is not subsiding — as the figures appear to indicate — but that capital has instead been flowing into the stock market and other financial markets, rather than into consumer demand, giving the appearance of relative price stability.

And on the basis of this premise — which is gaining increasing support world-wide — inflation, he says, will eventually find its way back into the high street, forcing prices to even higher levels than were experienced during the recent world-wide double-digit price inflation.

"The outlook," he added, "is pretty gloomy one."
Gold set to stabilise

LONDON. — International political and economic uncertainties will cause a nervous gold market in 1976 and short-lived price fluctuations might occur, says Samuel Montague & Company forecast in its annual bullion review.

The company, one of London's five bullion dealers, says it expected a more stable market towards the end of the year when the problem will probably be resolved.

"In the longer term, we believe that a revival of inflationary tendencies will lead to a growing and stronger private demand for gold."

International Monetary Fund negotiations on reform of the international monetary system, which were successfully concluded last month, have been the significant influence affecting the 1976 gold market, it says.

It lists the three elements in this agreement:
An increase in IMF quotas; an agreement to amend IMF articles to permit managed floating exchange rates; and removal of gold from the IMF articles.

The alteration of the IMF articles, which would abolish the official gold price and end restrictions on central banks' buying gold, is likely to be preceded by the restitution to member banks of $76 t and the IMF selling most or all of a similar quantity on the market.

Initially, news of these market sales influenced the gold price. But in the longer term, the abolition of the official price could well have a more fundamental effect.

"Central banks would probably have to value their gold holdings at market prices. The real value, however, of a reserve asset in certain circumstances is its marketability and the ease with which it can be mobilised, which could prove difficult when there are wide market fluctuations."

"It is probable, therefore, that central banks will need to intervene in the market to ensure a moderate price stability." — Sapa.
Gold swop boosts S.A.'s reserves

Mercury Correspondent

PRETORIA — South Africa’s gold and foreign reserves were boosted by R338.4 million to R1 199.8 million during the week ended March 12, mainly because of a gold swop agreement.

This was announced in Pretoria yesterday by the Governor of the Reserve Bank, Dr. T. W. de Jongh.

The swop agreement with "overseas parties" was also the major reason for the decline of R147.5 million in the bank's gold holdings during the week and the increase of R480.9 million in its foreign exchange reserves.

The move was made to strengthen the foreign exchange component of the bank's reserves.

In terms of the agreement, the bank sold gold spot and repurchased it forward. By virtue of the nature of the operations, the gold sold would not be disposed of on the private market but would revert to the South African Reserve Bank on termination of the agreements.

HOILDINGS

The initial effect of these swop transactions was on the one hand, to reduce the Reserve Bank's gold holdings and, on the other, to increase its foreign exchange reserves.

However, since the bank's gold holdings were still valued at the statutory price of R28.55 per fine ounce, whereas the swops occurred at market-related prices, the increase in the bank's foreign exchange reserves naturally exceeded the decline in its gold holdings.

"While these swop transactions do not in themselves affect South Africa's underlying balance of payments position or reduce the need for corrective monetary and fiscal policies, they do serve the important purpose of increasing the cash content of the Reserve Bank's foreign reserves, and thereby affording the bank more flexibility in its gold marketing policy," Dr. de Jongh said.
Six weekly IMF gold auctions?

In Johannesburg Swiss Bank Corp. General Manager Walter Frey told Reuters that the IMF might decide to hold its auctions every six weeks.

From Zurich George Osborn reports:

Zurich gold dealers feel the market can cope with IMF auctions should these be held every six weeks - as long as the volume and the price are right.

The volume could be of up to and including a week's SA output, it is anticipated, though this is seen as a maximum which could hardly be kept up without harming the market. The first one million ounces has, whatever the case, probably been anticipated and held various short positions based on it. On the longer term, it is felt the IMF will have to watch that it does not overload the market. It must also be kept in mind that there could well be a cutting-back of supply outside the Fund programme to the same end.

At least for the time being, the gold price is not expected to rise far or at all above the 140-dollar level. But the Fund will hardly be interested in selling at below a certain minimum. Should the gold price decline to noticeably below 120 dollars, observers here believe the IMF will have to adjust its supplies or even participate in some sort of gold support move.

Given these limitations to the conditions under which the IMF can sell gold, Swiss bankers remain cautiously optimistic with regard to the long-term future. Quite apart from the boost which the price could receive from a return to higher inflation rates or from one or many of the world's simmering political or economic problems, demand is pretty satisfactory at the moment. Credit Suisse says new production is being absorbed easily by industrial and craft users, as well as Middle and Far Eastern hoarders.

Admittedly, the big banks in Switzerland are not keen to forecast future price levels and are in some cases less bullish than before the near-decade when U.S. sales were freed. Their gold-dealing income slipped appreciably in 1974, though they are still holding "Strategic reserves" of what might be around 25 tonnes. But they still believe in gold as an integral part of the monetary system and there is a widespread feeling that the monetary role of the yellow metal could strengthen again on the medium term.

The future of the IMF auctions, as the Swiss Bank Corporation stated only last month, depends very largely on the policy of the Central Banks.

And seen from Switzerland, this could prove definitely positive for gold again. For example, Bank for International Settlements General Manager Rene Larre stressed in Geneva that gold remains the central banks principal asset and reserve instrument of last resort, "even if its role as a means of settlement is restricted, it remains important as part of the national wealth and thus as a measure of a country's solvency".

While Dr. Fritz Leutwiler, President of the Swiss National Bank (which holds 2,600 tonnes of gold in official reserves), stated in the same city early this month that Switzerland does not only not intend to divest itself of gold but is, on the contrary, prepared to increase stocks "in such a way as to provide a means of retaining orderly market conditions".

Events during the past few weeks made it clear that the professionals were determined not to let the anti-gold lobby play the gold game all by themselves.

The French, in the very early stages made it clear to all that they were not amused by certain efforts to demonize gold, because not only is the French historically pro-gold, but more than two thirds of the French reserves is gold.

More recently, the Swiss (who have some 2,600 tonnes of gold in their reserves), made it clear that they will start buying gold if they think it essential to retain orderly market conditions. (See 'Six Weekly IMF gold Auctions').

Even the West Germans reminded the world that they can still change their mind and add to their own gold holdings.

During the past two weeks, two top Swiss banking officials visited South Africa and made the headlines when they predicted that the IMF might decide to hold regular gold auctions every six weeks.

At the same time, it was announced in Paris, that the French franc was no longer a member of the European 'snake'. This proved only to be the prelude to chaotic conditions on the foreign exchange markets. (At the time of writing it is still not clear to what extent this will influence the gold price.)

Within hours of the events in Europe and the visit of Walter Frey and his colleague to South Africa, the South African Reserve Bank announced that for the first time South Africa sold gold spot and bought it back.

If this is not window dressing, then tell me, what is?

As we see it there is only two ways open for the believers in gold to beat the IMF at their own game. The first is a head-on confrontation.

The way to do this, is to see to it that the first IMF action as well as the rest is successful, and in the long run to have the IMF dispose of all the gold they hold.

The second is to beat them by entering the back door, so to speak, and see to it that the first auction is a complete failure.

This, however, will mean that the gold price must be so low that the IMF can not sell:

Continued on p2
Bahrein Set For Middle East Gold Trade Takeover

With the Syrian-sponsored peace plan lasting only seven weeks and the subsequent takeover of power by General Abdel-Aziz Al-Ahmad on March 11th, few observers believe banking and trade confidence will be restored in Beirut. Amongst those countries competing for the capital's old trade and commerce, Bahrein at the moment appears to be the most likely successful contender, especially with respect to the Middle East gold trade.

Why Bahrein?

Bahrein in its own right is an old established Middle East trading centre and has been doing business with Africa and India for centuries and with Europe for a hundred years. Because of its imperial past, as part of the British Middle East Empire, there has arisen in the country a considerable pool of educated labour qualified in commercial and financial trading (more so than in some other countries in the area). This has recently been illustrated by the extent to which the indigenous population has been used in the development of communications and orderly commercial and offshore banking, and adds to its strength as contender to replace Beirut.

Other major advantages include the absence of tax and the availability of a major international airport, which recently received the first British Airways commercial Concorde flight. The country also offers a stable political regime. The only major problems facing the would-be business man are the lack of office space and soaring accommodation costs.

Bahrein and Gold

For centuries Bahrein has been near the end of a large - though illegal - gold trade between Dubai and India. For some of the old families of Dubai smuggling has been a fulltime occupation for centuries and through contacts with Dubaii families, Bahrein has received a considerable spin-off from this trade.

Some bullion sources in London maintain that this smuggling trade can still affect free market gold prices today, especially when the smooth flow of contraband gold through the Mid-East Gulf is curtailed due to bad weather affecting Gulf re-exports of the metal to Europe and the United States are affected. But from this covert proximity to a major gold trade channel, Bahrein is now making a serious overt attempt to replace Beirut as the major Middle East gold feedline.

Amongst the previously mentioned favourable factors probably the most important is the attempt to establish the country as a major off-shore banking centre.

To date 27 off-shore banking licenses have been granted and the takers include such prestigious names as Chase Manhattan, Chartered Bank, First National City and the British Bank of the Middle East. Bahrein's Monetary Agency expects to issue 30 licences in all and expects the banks will be operating by April. Although it is too early to tell whether or not Bahrein will one day become a major trading centre along the lines of Zurich, New York and London it definitely possesses many of the necessary advantages and there are few who doubt it will take over from Beirut as the main supply channel.

Middle East Gold Demand

Assuming Bahrein does take over the role as the Middle East gold feed-line how much volume can it be expected to handle in the near future?

During 1975 some Middle East countries announced they would not be adding to their official gold reserves as they objected to the de facto abolition of the official gold price. This they argued permitted the developed countries to create liquidity by revaluing gold reserves (which France later did) and trading gold between themselves at free market price levels. This they maintained was unfair on Middle East countries. Firstly, because the gold component in their reserves was far smaller than that of the industrialised countries and secondly that central bank transactions at free market price levels would result in the effective devaluation of cont. on page 8.

The Eclipse of the IMF?

One product of the decision to liquidate IMF gold holdings will possibly be the eclipse of the International Monetary Fund as a world coordinator of currencies and as an exchange rate referee. Informed opinion here tends to agree that as the IMF gradually liquidates its gold reserves it will gradually lose these powers and will be left only as a provider of temporary finance to countries with balance of payments problems.

Brett Woods.

The IMF was created to put into action and police the Brett Woods system of fixed exchange rates set up in 1944 which also provided for the free conversion of surplus foreign currencies, especially the U.S. dollar, into gold. This latter role of the IMF was dealt a severe blow in 1971 when President Nixon suspended the convertibility of the U.S. dollar into gold and subsequently when the world later changed over to a general floating system of exchange rates.

Therefore, no longer having fixed parities to police (along with a country's domestic economic manoeuvres as a condition for allowing it to alter its parity) and no longer having to manage the conversion of currencies into gold, the influence of the IMF in world monetary matters began to slide.

But the ultimate decision in the gradual eclipse of the IMF was that to run down its gold holdings - and to do it via the Bank for International Settlements (BIS).

New gold - currency system.

Some observers feel that when the IMF finance ministers charged the BIS with the role of the central banks' broker to purchase for them IMF gold they were effectively charging the BIS with laying the foundations for a new gold-denominated currency convertible into or exchange rates for each other.

This de facto gold-currency regulation role, they add, could gain in significance later on, should disillusionment with the idea of Special Drawing Rights replacing gold spread, especially if world inflation takes off again and paper currencies become in need of a more stable numeraire. The eclipse of the IMF, other than as a source of temporary finance, would then be complete and the BIS would have stealthily stepped into its place.

John T. Andrews
Washington
William Simon, the Central Banks and the Gold Price

A recent comment by U.S. Treasury Secretary William Simon, that the IMF might re-think its gold auction strategy, if it looked as though the sales might totally disrupt the international gold bullion market, coupled with indications from several Central Banks that they would not let the bottom fall out of the market, has entrenched the world gold price at around the 130 dollar level recently.

Simon's comment was especially significant as the U.S. has been the most enthusiastic supporter of the gold demonetisation lobby in negotiations leading up to the Kingston decision to auction off 25 mln ounces of IMF gold on the open market.

In banking circles here the fact that the international bullion price did not drop below the 120 dollar level in the wake of the Jamaica announcement, is being described as the "most important financial non-event of the year so far." Dealers were looking at this level as the last floor to be "tested" as this was the price at which Italy's gold stocks were pledged against a German loan.

There were fears that should this level be reached there would be no further downward resistance before the price slumped below the 100 dollar mark. Some sources say, however, the fact that this level was not tested is a firm indication that Central Banks intend to use their newly-achieved power to buy and sell gold in an orderly manner to stabilise the gold market. This is especially true of European Central Banks. France has already said she intends to use the opportunity presented by the IMF auction to strengthen her gold reserves, Switzerland has reminded the world she is reserving the right to do the same and Germany, until recently keenly in favour of demonetising gold, now states that she might not be permanently against increasing the gold component in her reserves.

William Simon's remarks also suggest the U.S. might not now be in favour of liquidising IMF gold stocks at all costs.

Amongst major industrialised nations probably only Japan remains absolutely adamant about her original decision not to buy IMF gold. European Central Bank caution is also encouraging for gold investors as the broker in the IMF auctions will be the Bank for International Settlements (BIS), which is heavily dominated in its approach by European Central Bank thinking.

The Motives

Central Bank motives behind maintaining the international gold price at an acceptable level revolve around German gold backed loans to Italy and Portugal, the French traditional support for the metal and the fact that the proceeds from the IMF auctions will be put towards a trust fund for developing countries.

If the maximum possible revenue from the sales was not achieved for the latter the spirit of detente currently being practised by the West towards the Third World could be challenged. Other factors include renewed fears about the role of the Special Drawing Right as an alternative to gold and the need to preserve a realistic gold market as a hedge against inflation, should the latter gain in pace.

Bearish factors

However against this background of bullish news for gold there are also fears here the IMF executive is planning to accept auction price offers for its gold which constitute the best offers going regardless of how much these prices might be below levels hitherto considered realistic. Additionally some sources point out that as the 1976 Third World deficit is expected to be around 30,000 million dollars, it would not really matter if the projected 1976 IMF gold auction revenue target of 3,000 mln dollars was not reached as even if it was, it would still only be a drop in the ocean compared with the Third World deficit.

John T. Andrews
Washington

Angola — Mozambique

As sessed

With the communist victory in Angola settled down to a non-violent confrontation with South Africa and the Mozambique/Rhodesia situation developing into a "war of words" after the scare of the past weeks, all concerned with the gold mining industry in South Africa are taking stock of their position.

The unanimous opinion is that the African sub-continent is passing through a crisis of confidence, a fair proportion of which is rubbing off on the gold mining industry.

The most immediate effect was that the bullion price on overseas markets halted its steady downward trend of the past few months and has even managed to show a slight upward movement. This was a direct result of investors, mainly those out of contact with the realities of Southern Africa, fearing a slowdown in gold output reaching the open market if confrontation should develop into something more than words. By the same token a massive unloading of South African shares, including golds, took hold as, again mostly overseas, investors took fright. However, these were immediate and mostly hasty reactions and do not reflect the true position vis-a-vis the gold mining industry.

The first of two apparent problems is that if the confidence crisis continues in the minds of overseas investors much needed capital for the mining industry may not find its way into South Africa thus delaying the capital projects a number of mines are presently engaged in. If the political situation should worsen this could have alarming results, but a Rhodesian constitutional agreement or a pact of tacit understanding between Angola and South Africa could have decided beneficial effects in this area.

The second possible problem facing the gold mining industry concerns South Africa's migratory system of labour employment on the mines. Under this system a large number of nationals from foreign countries are employed for short periods on the mines before being repatriated to their country of origin at the end of their contracted labour period. Presently about 25 percent of cont. on page 6
FAR EAST

Benguet

The depressed state of gold prices has started to threaten the viability of Philippine gold producers, with the possibility of a serious retrenchment of operations if IMF actions depress prices further.

And the country's major producer, Benguet Consolidated, has not sold any of its output since September of last year and intends to continue stockpiling its refined gold until prices improve.

Long Term

But beneath the surface of the current gloomy situation, it appears that confidence in the longer term prospects of the Philippine gold mining sector remains largely unshaken. Benguet, for example, which is one of the top producers, is confident that it will maintain production at between 120,000 and 130,000 ounces for some years. And despite its current problems, it has not shifted very far from this position.

Data

Late last year, Benguet agreed to develop and operate Dizon Copper-Silver Mines' 57 gold-copper claims in Zamboanga Province, on Luzon Island. The property had previously been explored by Nippon Mining and Mitsubishi, neither of which could start commercial operations because of legal and other difficulties, but a feasibility study by Mitsubishi indicated about 90 million tonnes of mineralisation grading 0.915 grammes of gold per tonne.

It is currently seeking to confirm the previous findings, emphasising metallurgical testing, as the expected viability of the deposits depends largely on at least 50 per cent of the high level of gold contained in the ore being recoverable.

Other gold miners are also pushing ahead with Philippine projects. Metals Exploration of Australia is discussing funding for a project to develop the Langos gold prospect. Testing at the site last year assayed from 1.14 dwts per long ton over 0.97 metres to 1.75 dwts per long ton over 1.15 metres.

Another Philippine firm, Chico Mines, recently went public. The company has current gold mining operations, also involving copper and silver, at three locations. One in particular, the Baguatitogon claim, contains, according to Mines Bureau estimates, 965,000 tonnes of mineable ore on only one level with an average grade of 8.25 grammes of gold per tonne.

The company said last month that its 1976 gold output would be maintained at 127,000 ounces. Early last year, before the short-term outlook for gold underwent such a dramatic reversal, Benguet stated that it would seek to expand gold mining operations and maintain production at between 120,000 and 130,000 ounces for some years. And despite its current problems, it has not shifted very far from this position.

AFRICA

State Assistance - back to the Melting Pot?

The South African Government may reconsider its State Assistance scheme for gold mines as the lower gold price, higher costs and various other factors bite into the profits of gold mines and ultimately into the amount the government receives into its coffers from taxes etcetera. This was foreshadowed by Mr A W S Schumann, a General Mining and Finance Corp technical director and past-president of the South African Chamber of Mines in a speech recently.

Schumann, in his speech, said the cardinal factor with regard to the State Assistance Scheme is the effect of a significant rise in the price of gold and the running expenditure in times of need, based on a formula related to their profits and revenue is the predicted future behaviour of the gold price. If the State expects a significant rise in the not too distant future it is unlikely to change the classification of an assisted mine, since expected future revenue will more than offset the State aid paid out until such a price rise. In Schumann's opinion this policy had paid the State rewarding dividends and the past, and could do so again in the future.

However, he thought it possible the State might lower the present limit on state aid from the maximum of 25 per cent of revenue. He said he did not foresee the withdrawal of State aid in its entirety, but the Government Mining Engineer-watchdog of the mining industry as a whole—would be very selective in granting approval of capital spending for the purpose of State aid claims.

In terms of the Gold Mines Assistance Amendment Act 1975 the Mines Minister may notify the company operating a gold mine that the mine will cease to be classified as an assisted mine if he feels that assistance is no longer warranted.

Backering Schumann's opinion that State aid may be in for a shake-up are the facts that total gold mining industry profits for 1975 fell 12.4 per cent or R2 million over 1974, State tax and share of profits fell 22.6 percent or R183.6 million, while net profit fell only 2.1 percent or R17.4 million.

However State assistance rose from R4,000,000 in 1974 to a staggering R17 million in 1975.

Clearly the State, which after all supports the industry in times of crisis, feels it is not getting a fair deal out of the entire scheme, while shareholders of the companies involved are getting a disproportionate share of the income.

Gold Production

South Africa produced 55,815 kilogrammes of gold in February 1976 compared with 56,386 Kg in January this year.

U.S.S.R.

International gold demand assessed

The London based, Soviet-owned Moscow Narodny Bank Ltd, in their latest quarterly economic review, made some comments on the international gold situation, but true to form, omitted any comment on the production, consumption or investment demand for the metal from the USSR.

The investment demand for the metal halved in 1975 to some 400 tonnes from a high in 1974 of some 800 tonnes, and the Bank added this could even decline further in 1976-77.

In addition some 50 percent of the investment demand was in the form of coinage, with investment in bullion little more than 200 tonnes. (Thus the appearance of the famed Chi-coin on the world gold coin markets?)
Kruger round-up

KR sales 25 percent of SA February Gold Sales

During February 1976, Krugerrand sales (on the international market) represented some 25 percent of South Africa's gold sales. This in turn represents the sale of 453 170 coins in February compared with only 193 175 Krugerrands sold during January, representing only eleven percent of South African gold sales in that month.

Don McKay-Coghill, InterGold Manager, told Reuters that the increased sales can be attributed largely to a "very substantial increase in demand for the coin in West Germany ahead of the Value Added Tax to be introduced on gold coins in April or May this year. However, he added, this is not the only increase in demand seen, in fact a general interest in the coin overseas made for the rise in sales.

Swiss Market

McKay-Coghill added that the Swiss distributors of the KR have been buying large quantities of Krugerrands, but added that it is difficult to say whether these coins are going to the Swiss market or to other centres.

Gold Coins

It is becoming more evident that gold coins and the Krugerrand are increasingly viewed, not as just a profitable way of disposing of some of the world's new gold output, but as an increasingly important export commodity. The world gold coin markets are growing, as indicated by the sentiments expressed by the Soviet-owned Moscow Narodny Bank Ltd and the comments made in some of the latest gold mine annual reports. (See Guest View)

Luxembourg Krugerrand Moves Unclear

With the introduction of Value Added Tax on gold coins in W. Germany it is rumoured investors are turning towards Luxembourg as a possible haven for German citizens to buy and hold Krugerrands. Along with the Channel Islands and Switzerland, Luxembourg is rapidly gaining a reputation for its tight-tipped banking procedures and the biggest the sums involved the tighter the lips.

When questioned Luxembourg trade officials said they had no knowledge of an influx of Krugerrands into their country, but some banking sources near to the trade in London cautiously agreed that the use of Luxembourg as a base for importing and holding gold coins, especially by German citizens, would be "logical" following the introduction of VAT in Germany.

COMMENT — etd, from pl

This can only postpone the treat and will not solve the problem at all. The latter will also have a built-in risk factor which people like the Swiss and the French will not be prepared to take, because of the large gold holdings in their reserves. Therefore the first is the only way of solving the problem. (See the story 'Eclipse of the IMF')

Hong Kong's Coin Trade

Hong Kong's fiscal 1976 budget speech last month contained a surprise announcement for the local gold market. For Finance Secretary Philip Haddon-Cave revealed that, in the light of the success of two recent gold coin issues, he was studying plans to establish a de facto futures market in Chinese Lunar New Year gold coins.

Lunar New Year Coins

The gold coin commemorating the Queen's visit to the Colony last year was very well received, and Haddon-Cave said that subscriptions to the recently issued Dragon Year gold coin had exceeded all expectations. He was therefore considering the advance sale of certificates for future Lunar New Year coins.

The first certificate would carry six coupons, five for the next five coins and a sixth for the purchase of the certificate for the next six coins. He added that the certificates would be registered and transferable, and that he expected a market for them to develop.

Market quarters were initially somewhat puzzled at the mechanics of the operation, the link between the initial price of the certificates and the subsequent sale price of the coins over the next 11 years in particular.

Nevertheless, Haddon-Cave is not likely to be disappointed in his hope that an active market will develop in the certificates.

Gold in general and coins in particular have always been a prime target for local investors' funds. The volume of the gold market is almost impossible to gauge, given the inscrutability of the local Chinese market, which trades in 99.9 fine gold, as against the 99.5 fine gold of the international market. And although the recent strong upsurge of Hong Kong's stock markets has diverted funds away from gold, the price has still found substantial support at around the $30 an ounce level.

Indeed, the prospects for its further growth were heavily underlined by the arrival of another international dealer on the scene. For this month sees the start-up of Sharps, Pixley-Wardley Ltd, trading in gold bullion and coins, and silver. The new firm is 51 percent owned by Sharps, Pixley of London, with the remainder, held by that bulwark of the Hong Kong economy, the Hong Kong and Shanghai Banking Corporation, through its Wardley Ltd. subsidiary.

Meanwhile the Monetary Authority of Singapore's approval of a local gold market has yet to materialise. It had been hoped that the MAS would give the go-ahead for a Singapore gold futures market by the middle of last month, enabling operations to start up by June, but so far it has maintained a stony silence on the subject.

Singapore's Futures Market

The plan is for a market along the lines of Winnipeg, operated by the Singapore Chamber of Commerce Rubber Association. Three banks - the Bank of Nova Scotia, United Overseas Bank and Overseas Chinese Banking Corporation - would be the issuers of gold certificates, with physical gold available on demand against the paper. Currently, gold is traded only on a retail basis in Singapore, with the participating banks buying through the London and Zurich markets.

Chad Morrow
Hong Kong
The Sovereign

The Sovereign is probably the most known coin in the world. Known as 'good as gold' in the 19th century, the Sovereign was the ideal gold coin of the time. Its weight was 91.67 grams, or 23.33 grams of fine gold, valued at $2.00 in sterling or $10.00 in U.S. dollars.

The Sovereign was minted in various countries, including England, Australia, and South Africa. The weight of the coin varied slightly among these countries, but the value was consistently high.

By 1965, the cheapest price for a sovereign could be bought for as low as $1.97 in London, or $2.00 in Paris and New York. Today, the price of gold has risen, and the Sovereign is valued at around $1,500 per ounce.

In particular, the South African sovereign, known as the Krugerrand, is popular in the United States. It is available in silver and gold, and is often used as a numismatic investment.

The Sovereign is a collectors' item and is highly prized by investors. It is a symbol of wealth and is often used as a barter item in times of economic instability.

Coin Corner

March 1978

Eli Levine
Suitable for the best known gold coin in the world.

When the word was on the gold standard, (the good old days) the sovereign, weighing 7.98 grammes and containing 7.32 grammes of fine gold was worth one pound sterling, or the equivalent of R2.40.

Sovereigns were first minted in quantity in 1817, when just over 3 million coins were struck. Since then over 900 million of these coins have been produced by the Royal Mints throughout the world.

These include London (U.K.), Sydney, Melbourne and Perth (Australia), Bombay (India), Pretoria (RSA) and Ottawa (Canada). About 53 million sovereigns were minted in Pretoria between 1923 and 1932.

The Premium on Gold.

Minting ceased when the Gold Standard was abandoned in the early nineteen-thirties. Many people however still felt that gold had its value and were paying a pricey commission of a “tickey” or 2½c per coin purchased, thus the first signs of a premium over the bullion value had appeared, albeit only 1½ percent.

After the Second World War, in 1946, some collectors, (or investors), were buying the coins at double the face value, or R4-00, and they were generally considered to be cranks!

By 1965 the cheapest price a sovereign could be bought for was R8-00 and in 1972 the prices ranged from R10-00 to R12-50. Early in 1973 prices started soaring, and ranged from R20-00 to R35-50. A high point was reached towards the end of 1974, when gold was reaching for the R200-00 mark, and sovereigns were selling for R50-00 to R57-50 each. Currently the prices in South Africa range around R47-50, which still represents a premium of over 70 percent above its intrinsic or net gold value. This premium is rather high compared with current premiums in other countries, viz. Switzerland 36 percent, Paris 42 percent, London 37 percent and America 40 percent.

With gold at $133.40 (R116-00) the intrinsic value of the sovereign is $31.39 or R27-30. An easy reference is that 4½ sovereigns contain one troy ounce of gold, so the premium above gold price can easily be determined by comparing the value of 4½ sovereigns with the value of one troy ounce of gold.

It is quite incredible to think that the premiums are so high considering the number of these coins that have been minted. An opinion expressed by one of the senior people at Stack’s, New York, is that reasonable premiums are justified in that they reflect the historical confidence in the coin.

Overseas premiums, as mentioned above, vary between 36 and 42 percent whilst the premium on Krugerrands varies between 3 and 8.5 percent. Current local premiums on Sovereigns and Krugers are 74 and 25 percent respectively.

Norr is the explanation that the Sovereigns are old entirely the answer - Queen Elizabeth II sovereigns first minted in 1957, (mintage in excess of 22 million), fetch premiums of 46 percent in Switzerland, 55 percent in Paris, 47 percent in London and 50 percent in America, viz 10 to 13 percent above their historical counterparts.

Some of these forgeries were at first rather rough and easily detectable, but according to an authoritative source in Beirut, the expertise is man at a high level, and the forgers are virtually impossible to detect. Forgeries have also traditionally been made on a very large scale in Italy, and in Bombay you can actually specify which monarch and what caratage you require your forged sovereign to be, and it will be made in your presence.

Whilst it might be quite acceptable to buy a reasonable premium for a genuine sovereign, which would possibly be substantially the same when you sold the coin, it can be rather a bad loss situation if you buy forged sovereigns, which are worth less than their gold value (it is illegal to trade these in most countries including South Africa, the U.K. and U.S.A.) because the cost of remelting must be taken into account. It is also illegal to remelt these unless the person has a licence to do so, otherwise one would be dealing in unwrought gold.

Process

Obvious forgeries, if made from a metal other than gold, would be somewhat lighter, or if the correct weight, would be somewhat thicker. Examination under magnification (10X) would reveal a fair number of forgeries made from 22 carat gold, in that the surfaces might be inordinately rough, or have “pimples” or lines on the surface, characteristic of cast forgeries.

Casting is the process whereby the metal is poured into moulds. No modern genuine coins are made by this process.

More difficult and sometimes virtually impossible to detect are the struck forgeries of the correct metal.

Striking is the process whereby the blank is struck by two dies simultaneously, one on either side, to give the coin its design.

It is therefore advisable to buy these coins only from unimpeachable sources, or to have them verified by experts, unless the purchaser himself has a fairly good knowledge of coins and forgeries.

Eli Levine.
Share Page

Bahrein Cont.
reserve currencies, especially the dollar and sterling in which these countries received payments for their oil exports.

However, some observers feel that the Middle East countries could change their policy in the near future and begin to build up the gold component of their reserves, largely due to their changing economic circumstances. When the gold price was abolished they had the choice of either building up their own gold reserves or attempting to limit the extent to which Central Banks used gold at the free market price, especially as buying gold would itself have been inflationary.

They chose the latter by threatening to increase oil prices. However, now the IMF is estimating OPEC countries are in a position of overall deficit and the current oil glut has resulted in Iran, for example, having to reduce oil production (and attempt to increase revenue). The power of the oil weapon to limit Western liquidity expansion has been reduced. Accordingly there is now a considerable possibility that the Middle East countries will attempt to use their other original alternative, that is to increase their official gold reserves.

This could especially be the case if IMF plans to enlarge the basket of currencies upon which the value of the Special Drawing Right, gold's synthetic competitor as a reserve asset and currency numeraire, is delayed or dropped. Arab countries are demanding several major Middle East currencies are included in the basket, which currently stands at 16, on a permanent basis.

In addition to this possible increase in the official Government gold trade which could pass through Bahrein, there also remains the hoarding demand for the metal as a store of value due to distrust by Arabs of bank accounts and their preference for tangible assets.

Anthony Fraser

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The following prices were ruling on major world stock markets:
(middle prices quoted in US dollars as on March 8)

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Note: London prices include investment dollar premium

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Harvey Lawrence

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SUPPLEMENT TO I O No. 14 OF 74-76
Guest View

Gold Market

Despite the failure of an anticipated large demand for gold by the United States private sector, in February 1975 gold was traded in London at $186.20 an ounce. Almost a year later on 20th January 1976 gold traded in London at a two year low of $124.60.

The first significant drop in the gold price to $128.75 occurred in September 1975, following the proposal of the International Monetary Fund to sell 780 tons or a sixth of its gold holdings for the benefit of developing countries. The gold market has continued to be depressed by the uncertainties surrounding the plans for the sale of this bullion and the effect it could have on the price.

However, at the International Monetary Fund meeting in January 1976 when it was decided that the 780 tons would be offered by public auction to the world market over a four year period, it also became clear that the International Monetary Fund wishes to ensure the greatest possible benefit to developing countries from the sale of this gold. This will not be achieved if the market is oversupplied and the gold price driven down further.

At the January meeting it was also proposed that a further 780 tons of the International Monetary Fund gold would be returned to member nations that originally contributed the gold. The restituted gold will be returned to members at the official price during the four year period that the other 780 tons are sold for the benefit of the less developed countries.

The International Monetary Fund has also agreed to abolish the $42 official gold price which has in effect, freed its use again as a vehicle for international settlements and continued use as collateral for loans. Taking into account these factors and the threat of future unmanageable levels of inflation the use of gold as a monetary asset is likely to continue.

During 1975 there was a considerable increase in the industrial demand for gold. The fallout for jewellery was substantially higher to a large extent as a result of lower gold prices and the need to replenish stocks.

The demand for Krugerrands again increased and despite the loss of the United Kingdom market in April 1975 following the ban on the importation of gold coins and medallions, 4.8 million Krugerrands were sold during 1975 compared with 3.2 million in 1974. During the year a trial campaign was launched to market Krugerrands in the United States. This has met with considerable success.

In the current year the sale of Krugerrands could be seriously affected by the recent imposition of a 11 percent value added tax by the West German authorities. A growing American market could, however, compensate for any loss of sales in Europe.

L.W.P. van den Bosch

Angola Cont.

South Africa’s total gold mine black labour force of about 400,000 workers comes from Mozambique. While there is no question of this supply of labour drying up at present, a further straining of relations could cut off this source of labour, and such a high percentage would be extremely difficult to make up from other traditional sources of labour.

The supply of labour from Angola has virtually completely dried up, but this only accounts for about one or two percent of the total labour force and can quite easily be made up elsewhere.

Increased mechanisation within the industry continues apace, but this obviously requires fairly large amounts of capital, which may not be as easily forthcoming in the next year or so and for this reason the supply of labour to the mines remains a major problem.

The bullion price is being left to look after itself as it is the very problems in Southern Africa which will tend to steady the price as any fears of a cutback in supply to world markets will send the price spiralling upward. Combined with the currency unrest around the pound sterling recently, the bullion price is one of the brightest features of the gold mining industry at present.

Harvey Lawrence
Too much Horwood pessimism on gold?

25/4/78.

By J. B. ZWART, who is executive director of Field-Zwart Consultants (Pty) Ltd and Lion Securities (Pty) Ltd, and investment editor of Lion Investment Letter.

SENATOR HORWOOD, in his Budget, imposed a 5 per cent surcharge on all companies, applicable to all companies, with the exception of diamond mining companies. As a result, it has been assumed generally that this additional imposition also applied to gold mining companies.

Looking at the specific figures in the Budget, however, it appears that the Minister had no intention of placing this additional burden on the gold mines. The figures in the Budget confirm this.

Senator Horwood said the normal tax on gold mines for 1976/77 would be about R681-million and he budgeted for this figure to decline during 1976/77 to R350-million. On the other hand, the estimated company tax for 1976/77 at R1 383-million and forecast that this would increase during 1976/77 to R1 620-million.

**Surcharge**

The Minister then calculated the increased surcharge on companies would produce additional revenue, during the current year, of R80-million and that the increased loan levy on companies would produce R160-

-50-million. At first glance, this may appear to be a significant increase, but when one considers the fact that the total tax on companies is now R1 851-million, the additional R240-million is relatively modest.

**Projections**

Consequently, with the gold price in the R130-area, the Minister must be anticipating either a sharp drop in the gold price or a huge rise in working costs (or both) if his tax projections are to be achieved.

It appears that the Minister has over-reacted on the conservative side to previous over-optimistic forecasts of gold mine tax revenue.

London stockbrokers Hedderwick, Stirling, Gunbar and Co have used a gold price/cost of production present value model for evaluating the merits of individual gold shares under differing revenue/cost of production assumptions.

The inflation rate is assumed to ebb and flow over the next 25 years and the effect of this is illustrated in the chart. It is interesting to note that the inflation rate is assumed to dip from 1976 to 1980, but that the gold price is expected to gradually build up, and after 1980, to stabilise.

The chart shows that the inflation rate is expected to stabilise after 1980, but that the gold price is expected to gradually build up, and after 1980, to stabilise.

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Optimism
on the price

Mining Editor
UNTIL the first International Monetary Fund gold auctions have taken place and the uncertainty surrounding central bank and other institutional and private interest is more definitely assessable, the gold price may remain relatively depressed.

That is Anglo American's view, given in its annual report.

Present price levels are the result of a wait-and-see attitude coinciding with improved conditions on some stock markets and other avenues of investment as the impact of recession appears to be receding, say the directors.

With industrial demand improving and interest in gold-in the Far and Middle East emerging strongly for the first time in years there is some reason for optimism.

"In the longer term, the recent developments will be acknowledged as having enhanced gold's monetary role." A total of 21 per cent of South Africa's newly mined gold was marketed as Krugerrands in 1975. A record quantity of more than 4 800 000 coins was sold.

Since the Krugerrand was introduced in November, 1970, more than 10-million coins have been minted and distributed around the world.

In recent years, demand has been largely investment motivated and to the extent that such demand has eased of late and could remain at the present level for some time, the 1975 sales are unlikely to be maintained.

There is, however, a noninvestment market for the coin and its potential has yet to be fully exploited.
Short setback, says Horwood

THERE might be an initial setback in the gold market when the International Monetary Fund's gold sales began, but this should be of a relatively short duration, said the Minister of Finance, Senator Horwood yesterday.

He told an intergold jewellery award function in Johannesburg he remained optimistic on gold in the longer run. He believed that eventually the upward trend in the gold price should be resumed.

There was an incorrect interpretation that decisions reached by the IMF in Jamaica last January initiated the elimination of gold from the international monetary system, and were a big step to its demonetisation.

He said that although the amount to be sold was substantial, it was not unmanageable, especially with the possibility of central bank purchases as a steadying factor.

At the current price the value of the gold to be sold over a year would be about $800-million.

This was not significant in relation to the foreign exchange reserves of the major European central banks, many of which spent much more from time to time in supporting their exchange rate.

They would not want any drastic fall in the value of one of their important reserve assets.

Jewellery demand should help a rise in the gold price.

If the present trend in this demand was maintained — and indications were it was gaining momentum — gold use in jewellery fabrication could return by 1977 to the 1972 level of just under 1,000 t.

It was estimated that the free world consumption of gold in jewellery fabrication rose to 486 in 1975, more than double the 1974 consumption of 224 t — Reuter.
Huge demand at sale

ARGUS 3/6/76

SA RELIEF IN GOLD VICTORY

The International Monetary Fund has auctioned off 780,000 ounces of gold, the entire amount offered, at 126 dollars an ounce. This was the first instalment of a projected liquidation of 25-million ounces of the metal for the benefit of poor nations.

The Minister of Finance, Senator O. P. F. Horwood, said today the result of the IMF gold auction will give new confidence to the gold market, and the fears that the auction would drastically affect the gold price had now finally been laid to rest.

Mr. Horwood said that with this new confidence it was only a matter of time before the gold price resumed its upward trend.

The 126 dollars was very close to the current market price and the result had shown that the market was well able to absorb the amount offered.

In fact, the average price of the successful bids was 127 dollars, which was actually higher than yesterday’s ruling price, he said.

Optimism spread that the long bumpy slide of the gold price over the past 18 months, one of the root causes of South Africa’s current economic ailments, may have been checked, at least temporarily.

Higher.

The IMF announced today that bids had run to a total of three times higher than the 750,000 ounces actually on sale in the first series of auctions and had run as high as 124 dollars an ounce.

Since the auction was held on the common price system, successful bidders will all receive their share at the bottom price considered acceptable — 126 dollars.

The enormous demand from around the world, and the relatively high final selling price, caused such relief that was heard from the Treasury in Pretoria to the board rooms of the mining companies.

Stabilise.

It had been speculation that the auction would push the gold price even lower that was a fundamental cause of the long decline on bullion markets from a peak of near 300 dollars an ounce late in 1974 down to between 120 and 130 dollars.

With the auction sales now fixed only barely lower than recent price levels on the open market and with all the remaining uncertainties over, the overall forecast today was that bullion prices will at least stabilise and may indeed edge higher again.

Gold shares opened quietly steady on the Johannesburg Stock Exchange this morning. — Washington Post News Service, Own Correspondent and Reuters.
HECTIC TRADING AS GOLD FALLS

By The Argus Financial Staff

THE free market gold price tumbled in London this morning by almost seven dollars an ounce in what dealers described as hectic and highly nervous activity.

Shortly before noon the gold price fell to 106.25 dollars/107.25 dollars an ounce, the lowest price since December 1973. This price compares with the mid-morning fixing of 110 dollars an ounce, last night's close of 113.25/114.00 dollars an ounce, and a price of 122.05 dollars an ounce at last Wednesday's International Monetary Fund gold auction.

The drop in the gold price in the past few days is attributed to uncontrolled Russian selling, and there is some optimism that once this selling ends, the price will recover.

SHARES EASIER

Other factors affecting the gold price include the prospect of continued International Monetary Fund auctions over the next four years.

On the Johannesburg Stock Exchange today reaction was muted and gold shares were fractionally easier in quiet trading. The Argus gold share index was seven points lower at 286.1. Other shares were generally unchanged.

The drop in the gold price must be causing the monetary authorities in Pretoria considerable concern. Unless the price trend is reversed the Government may have to reduce its level of spending and call on all South Africans to tighten their belts further.

The 15-dollar drop in the gold price since last Wednesday represents a potential total value of South Africa's mineral exports, other than gold, last year.

This drop in the gold price means every South African - man, woman and child of all races - will be about R30 a head poorer than he was at Christmas.

Lower foreign earnings will also hit the gold mining industry and it is possible the lives of many miners will be endangered. Other business enterprises will suffer as well and the Government could lose hundreds of millions of rands in tax revenue.

While some of the adverse effects of the lower gold price could be cushioned by devaluating the rand, thereby maintaining the rand earnings of the gold mining industry, the Government has been rejected by the Government.

DEVALUATION

The Secretary for Finance, Mr. Gerald Browne, said last night that in view of South Africa's inflation problems, it would be wrong to devalue the rand.

Mainly as a result of South Africa's 20 percent devaluation of the rand, this country now has one of the highest inflation rates in the Western world. The authorities are likely to be very reluctant to aggravate inflation in this country with another devaluation.
Sidestepping the issue

The gold price plunge has brought home a lesson many had perhaps forgotten: in the final analysis SA is still a mining camp.

What really matters is the price of bullion, and no amount of backslapping over our industrial progress can gainsay it. Like it or not, the whole economy stands or falls on the London fixing. Last year it averaged R118 ($115). We may now have to steel ourselves to accept an average of less than R100 ($115).

At $109 (R95) gold mining revenue could drop to around only R2 000m a year, compared with over R2 500m in 1974 and 1975. That represents a massive loss of real income. Spread equally among all families, Blacks and White, and each is R100 a year worse off. Let the burden fall on Whites only and each family is R500 a year down the drain.

These are hard facts. It is important to keep them in the foreground. The country has suffered a tremendous loss of real income; someone must now bear that loss.

Government action such as the import deposit scheme, or for that matter devaluation, import control, changes in fiscal or monetary policy, IMF drawings and the like, can only influence how the loss is shared out amongst the community and possibly prevent it from snowballing.

Taking the snowball danger first, the immediate priority is to make sure that the country can continue to pay its huge foreign bills over the next 6-12 months, without getting disastrously deeper into short-term debt. Because if it cannot, forward planning in trade and industry becomes impossibly difficult and few new jobs will be created.

There are two sides to this so-called balance of payments problem: on the one hand making sure there is enough foreign currency in the kitty, and on the other finding ways to reduce the foreign bills.

The chief hope on the foreign currency front is that government itself will quickly conclude negotiations for a large medium-term foreign loan. Perhaps it has already done so. Finance Minister Owen Horwood says he is confident he can meet the foreign loan target he mentioned in his Budget (R230m net). Since repayments exceeded gross borrowings by R50m in April-June, that means he is expecting to pull in R280m net in foreign capital in the next nine months.

He could also approach the International Monetary Fund, where various overdraft facilities are available. Since March, SA's gross foreign reserves have been falling sharply: that might have entitled the country to a drawing under the oil facility but unfortunately the facility is no longer in force.

Another possibility is a drawing under the so-called "compensatory" facility. This is supposed to help producers of primary products when their exports dip below trend. Australia has recently drawn a large amount under this IMF facility.

Then there is the General Account of the Fund, where each country has three credit tranche. SA drew its first tranche earlier this year but since then all tranches have been raised by 45% — in SA's case from SDR80m to SDR116m (SDR1 is approximately equal to R1). Pretoria could thus ask for a further standby credit of SDR36m under its first tranche and/or an SDR116m standby under its second tranche.

Under the IMF rules, a second tranche standby would have to be flanked by an undertaking from the government to meet certain performance criteria. For example, Pretoria might have to undertake to reduce growth in the country's money supply to a specific figure within a given period. Drawings under the standby would be conditional upon meeting such targets.

Pretoria might regard the conditions as unacceptably onerous. On the other hand, the rate of interest would be low and the drawing would not have to be repaid for at least three years.

Another possibility would be to sell more gold out of official stocks outside the market, as was done last March. The buyers would naturally have to give an undertaking not to offload. This they are unlikely to do unless the price is well below market levels and/or SA gives an undertaking to buy the gold back at a fixed price at some future date. Are we in a position to give such an undertaking?

As for private sector long-term foreign borrowing, this can probably be ruled out over the next six to 12 months because the exchange risks are simply too great. The risks (which over the years become enormous) could be shifted to the Treasury by granting long-term official forward cover. But if the rand does have to be devalued, the losses would have to be borne by the taxpayer.

Gold's sorry trend

Dec 27 '74............$195.00
June 21................$125.70
(1st IMF gold auction June 30)
June 23................$124.85
July 13................$122.13
(2nd IMF Gold auction July 14)
July 15................$121.80
July 21 '76............$113.00

Under the present forward cover rules, the best that can be hoped for from the private sector is that those who can get forward cover (importers and exporters) will increase their overseas debts and repatriate their overseas assets. This they may we well be forced to do if the domestic liquidity squeeze is allowed to tighten following the import deposit scheme. Deposits could total up to R400m by the end of January. But will Pretoria have the

Financial Mail July 23 1976
Mining houses after
the gold price collapse

For the past year, gold mining companies have generally been reducing dividends, apart from exceptions such as Randfontein and East Driefontein, where tonnage is building up and grade mined is still rising. Lower gold dividends, however, take time to work through to the mining houses and their associated finance companies, the most important of which are shown in the table.

So far, there has been one dividend cut. Rand Selection reduced its interim from 32c to 30c for the half year to March 31, and as this was before the gold price really collapsed, the outlook is for a further cut in the final. Since the Rand Selection cut, moreover, its major investment, Amgold, has also reduced its interim from 110c to 90c.

In Rand Selection's case, further cuts might be cushioned by rising dividends from base metals and industrial holdings, but the high level of historic receipts from gold — the second highest in the table — reduces the possibility of these other areas making much impact.

The lower Amgold and Rand Selection dividends obviously affect Anglo itself, as the two accounted for 25.7% of the market value of its portfolio at December 31, when a further 27.6% represented other gold mining interests. Cumulatively, these investments probably accounted for more than half Anglo's 1975 investment income of R81.2m.

However, Anglo has two major advantages that neither Amgold nor Rand Selection share to the same extent. The first is that the rest of its investment portfolio is spread widely through diamonds, platinum, base metals, industry and banking, all of which are sectors where dividends are on the increase, in some cases sharply. The second is its massive net income from interest, fees and other sources, which contributed to R64m in 1975. This income, of course, is stable — it only goes up.

The risk of Anglo cutting its dividend therefore looks minimal, even though last year's 33c cost R43.7m in hard cash. This means the shares are on a yield basis not seen for many years. But if 7.9% looks attractive, it is worth remembering that Anglo yields 11.8% to the ex-premium buyer in London, which is still not enough to tempt much interest there.

Charter and Cons Gold arc special situations in SA. Their low yields reflect the ineligibility of SA shareholders to UK tax credits. As London registered companies, both are used as an official means of moving money out of SA via the securities rand market, and the local share price contains a premium which reflects the discount.

JCI has the lowest yield of the SA houses, partly because of its low exposure to gold and partly because such exposure as there is reflects its big stake in Randfontein, which many people think is the greatest thing since sliced bread. Johnnies' rating could be acceptable, in my view, because of its high exposure to base metals and Tavistock, the pick of the coal sector, and because new projects such as Ojihase or the ferro-chrome will have a big impact if they do well. JCI could manage a modest dividend increase for the year just past — which Rand Selection would welcome — and a greater advance should be possible for the year to June 1977 provided cash needs are not too pressing.

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**MINING HOUSE GOLD INCOME**

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*As % of total investment income.
1 Based on historic 225c total.
2 Based on 36c forecast.

GFSA is probably regretting its decision to pay a huge final of 150c in the heat of the battle for Union Corp. It maintained its 75c interim for the year to June 30 and the final is due this week. I shall be surprised if it is more than 75c, to make a cut of a third in shareholders' (including Cons Gold's) income. Apart from any other projects, GFSA will need funds to underwrite Deekraal's next rights issue, probably later this year.

Anglovaal has a good rating, again reflecting its low gold exposure and its big direct and indirect stake in Prieska. However, its potential does not look as good as JCI's and the shares look fully-priced in current markets.

General Mining's apparent stake in gold has been falling, mainly as a reflection of the Union Corp holding. Allowing for the proportion of Union Corp's dividend income derived from gold, General Mining's true reliance on gold was probably up near the 50% mark last year.

Now Union Corp has forecast a total of at least 36c this year compared with 42c in 1975. However, Union Corp itself will show reasonably stable earnings if its proposals to acquire Geduld go through. I suggested last week that the terms were ungenerous and feel Union Corp will have to pay nearer 500c (or five-for-four instead of one-for-one) to consummate the deal.

In addition, the cash needs of Union Corp and parent General Mining could lead to Geduld paying out a higher proportion of earnings. So its shareholders have nothing to lose from resisting the proposals and everything to gain. One issue which will have to be resolved is whether UCI can vote its Geduld holding in the meeting to approve the scheme.

As far as General Mining is concerned, the consolidation of Union Corp and of Geduld and the Union Corp industrial interests would mean an apparent boost to General Mining's earnings, which will be under pressure this year.

But the profile of General Mining's distributable earnings is hard to assess. Share capital has risen from 5.8m to 8.2m shares after the swap by which it acquired an additional 12.2m Union Corp shares from Federale Mynhou, which paid an average 585c before passing them on. General Mining now holds 44.9% of Union Corp and Sentrust 5.2%.

Movements in the securities rand dis-
Good, bad as gold rises

Financial Editor 29/10/76

GOLD, sterling and South African building established marked trends in economic markets yesterday. And the effects of these developments will be felt soon by the man in the street in this country.

The price of gold bullion has made a sharp recovery. The 123.675 dollar an ounce was the London closing price yesterday.

This is good news for South Africa's balance of payments. But on the other hand, the British pound is only worth R1.38 as a result of that country's deepening currency crisis.

This makes South African exports to Britain more expensive and as a result, adds to people who draw British pensions in this country.

However, building figures for the first nine months of the year do something to offset the dismal news about sterling.

Building plans passed in South Africa were 13.1% higher in the same months in 1975.

This could be an indication that the industry has turned the corner and the recovery phase has begun.

See Pages 24 and 26.
New Maputo gold payouts system

By ADAM PAYNE

JOHANNESBURG.—With the mining industry deciding that individual gold mines must pay the gold premium for Mozambiquan labour, attempts are being made to renegotiate the clause in the Mozambique Convention providing for deferred pay in gold.

The clause calls for the payment of mineworkers' deferred pay in gold valued at $42.20 an oz.

When Mozambiquan employment peaked at 130,000 men, after Malawi withdrew its labour, the cost to the South African gold mining industry and the country was about R100-million a year, which in effect was a gift for Mozambique. With employment down to about 60,000 men, but wages higher per head, the cost is estimated at about R60-million.

Loss
The loss of revenue has been borne by the industry as a whole. The new arrangement means that individual mines will foot the bill, according to their proportion of Mozambiquans employed.

It will apply only to men employed after September 23. As these men will receive full pay for six months and only after that date have 60 percent withheld as deferred pay, the need for payment in gold by individual mines will not occur until March 23 next year.

The sums withheld for deferred pay are paid to the men on their return home in the equivalent of rands owed to them, while the Mozambique Government keeps the difference between the $42.20 an oz for the gold received and the free market price.

Burden
A large proportion of the Mozambiquans is employed on old, low-grade, struggling mines, because their fathers and grandfathers served on them. These mines are likely to say they cannot afford Mozambiquans because of the gold premium burden.

The effect on the richer mines such as West Driefontein and East Driefontein in paying the premium will be minimal, because of their large gold production and high profits.

As employers with modern, comfortable hostels they will be able to attract full or near-full complements from South Africa, Transkei and neighbouring territories. At worst they will need only to top up with Mozambiquans.

The fact that marginal and loss-incurring mines like ERPM and Durban Deep are likely to decline to employ Mozambiquans on any worthwhile scale will be a vital factor in the negotiations over the Mozambique Convention, which have been taking place in Lusaka.

Unemployed
The Mozambique negotiators are faced with the prospect of dwindling employment for Mozambiquans if they are unyielding on the gold clause. Alternatively, if they agree to its amendment, with payments being made in rands or gold at the free market price, they will lose the present gold bonus but be rewarded with continued employment of their men on the mines.

Since the gold bonus does not apply to recruitment from any other territory or country, there is little case for its retention in the case of Mozambique.

Recently Mozambiquan labour has been about 15 percent of the total labour employed.

Mozambiquans are found mainly in mines on the West Wits line, including Kloof and Doornfontein, and on the old Witwatersrand and East Rand mines. Others are employed on the Evander mines administered by Union Corporation.
Price of gold rises

LONDON. — The price of gold shot up nearly five dollars an ounce yesterday on speculation that the U.S. President-elect, Mr. Jimmy Carter, would go for growth in the United States economy.

Dealers on the London bullion market said a surge in the American economy could lead only to inflation, which would send investors scurrying for shelter — out of stocks and into gold.

At the close of trading, the price of an ounce of gold went to $316.625. The price was the best since March 25.

The new enthusiasm was also reflected in the price of gold mining shares on the London stock exchange.

Source: AP
Gold price goes up far

Gold was quoted at 138.10 dollars an ounce in an extended fixing session in London this morning after Friday's afternoon fix of 135.80 dollars. Far East demand after Hong Kong's sharply higher 139.50-dollar price this morning seems responsible for the rise.

In Johannesburg gold shares moved higher in quite trade, although interest did pick up ahead of London's fixing. Selected quality shares are wanted by London, but "report that turnover is still low. Topping $25.60, a gold was St Helena which put on 10c to 29c.
Slight easing in gold price

Michael Chester, Financial Editor

Gold eased back in early trading today from its new peak of around 140 dollars an ounce on world bullion markets but still held in an orbit bringing into South Africa an unexpected multimillion-rand windfall.

In Zurich, where SA sells the bulk of its bullion, the price today first sagged to 135.50 dollars but later moved above 137 dollars again.

On the London market, the key price-setter on trends where yesterday the price broke over 140 dollars temporarily the first fix today set gold at 134.75 dollars.

Paradoxically, the halt to the new surge in the bullion price, which has hounded up from only a fraction above 100 dollars in August, was welcomed by the Treasury and the big gold mines.

Hopes now rest on a more stable price in the 130-140 dollar range - steering clear of a repeat of the 1974 gold rush and the dangers of mass panic reaction.

Mr Herbert Kaufmann, senior vice president of the Swiss Bank Corporation, predicted in Johannesburg last week that the price during the next 12 months would touch 140 dollars an ounce but would generally settle at around 138 dollars.
Gold keeps climbing

LONDON — The price of gold continued its upward spurt yesterday. It rose to $138.20 in the first fixing, traded at 139 to 140 in both Zurich and London during the day, and was fixed at $139.00 at the close.

Zurich bullion dealers said the market was strong. Buying mainly came from the Middle East for jewellery.

The majority of brokers in London were bullish about gold and gold shares. — DDC.
Gold Shares Fluctuate

DECAPARANS—

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IMF SELLS 
GOLD FOR 
137 DOLLARS

WASHINGTON. — The International Monetary Fund sold 780,000 ounces of gold at its auction last night at 137 dollars an ounce. Bids from successful buyers ranged from 137 dollars to 150 dollars and averaged 137.89 dollars, the IMF says.

Last night's auction price was slightly above current market quotations, as gold was fixed at 136.66 dollars in London yesterday afternoon and closed at 136.75 dollars last night.

At the previous IMF auction on October 27, successful bidders paid between 116.80 dollars and 119.05 dollars an ounce with an average of 117.71 dollars.

The auction was more than five-and-a-half times oversubscribed, drawing bids for 4,307,700 ounces. At the previous auction in October bids for 4,241,000 ounces were received.

NEXT SALE
At the same time as it announced the outcome of last night's auction, the IMF also announced that its next auction will be on January 26 when a further 780,000 ounces of gold will be offered for sale.

Thereafter, however, the frequency of the auctions will be increased to one on the first Wednesday of every month beginning on March 2. The amount of gold offered at the monthly auctions will be reduced to 220,000 ounces at each sale.

The next auction in January will employ the common price method — the same as was used last night — and this method will also be used at the first monthly auction in March.

The IMF also announced last night that it would return 25 million ounces of gold to its members over four years from the beginning of 1977. 

Sapre-Reuters.
Market disappointed after Gold auction

The more optimistic read there was a slight improvement in other markets. Other markets report some slight relief and some fractional improvements in the gold market. There were a few attempts to sell more gold, but they were unsuccessful. The gold market is still weak and lacks any significant momentum.

The more bearish view that there was a slight improvement in other markets, but it was not enough to sustain any upward momentum in gold. There were a few attempts to sell more gold, but they were unsuccessful. The gold market is still weak and lacks any significant momentum.

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Gold breaks out of attempted price restraints

The Argus Bureau
WASHINGTON. — Gold has broken free once again of the straitjacket which the Americans have spun around it. The regular sales from the gold stocks of the International Monetary Fund, intended to depress gold prices over the next four years, are now being easily absorbed by the market.

This, in a capsule, is the view among gold experts in Washington, including some at the Federal Reserve in the wake of last week's sale.

The price tells the story. The first IMF auction in July fetched an average price of 126 dollars an ounce. The second, six weeks later, reached only 122 dollars. The third, in September, saw the price at a nearly disastrous 109.40 dollars.

Though the sales, each of 780,000 ounces, were small, psychological effects were severe.

American newspapers were full of long and learned dissertations on the collapse of the 'barbarous metal,' including predictions of disaster for the South African economy and culminating in hints of imminent revolution as a result.

The turnaround came with the October sale, which lifted the price to 117.71 dollars — close to the prevailing price on European markets that day.

The bullish trend, according to IMF officials, has merely been confirmed by this week's sale at 137 dollars an ounce, a price that actually exceeded the private market price on Wednesday the day of the sale.

The South African representative at the IMF, Dr. Johannes de Loo, said afterwards that he was 'well satisfied' with the outcome of the sale. He thought it bullish for gold.

ARAB BIDDING

Other commentators, however, have been much less restrained. The Patterson Strategy Letter, a conservative investment advisory service, says that the metal has broken the 'new gold pool of the seventies' — a reference to the gold pool maintained by the major industrial powers in the sixties which collapsed in 1968.

The Patterson letter cites as the reason for gold's break: the vote on Arab bidding for gold as a means of storing their oil wealth. Contributory factors have been the election of Mr. Jimmy Carter, whose policies to labour and Negro supporters raise the spectre of a new inflation, the continuing double-digit inflation in much of the world, and the near-bankruptcy of Britain and Italy.

Nobody expects gold to return to the heady days of 1973 and 1974 when the price soared almost daily. For one thing, the IMF will begin to return gold to its members in January, starting with 620,000 ounces. Altogether, 25-million ounces will be returned to individual countries, over four years, and some of this may come on to the market, but not much.

Most of the gold will be given to countries that intend to keep the metal in their reserves, and only small quantities are likely to be sold by Third World nations deeply in debt.

The remaining sources of uncertainty are Russian intentions, and the possibility of further sales from the American gold stocks. The U.S. is virtually compelled to do battle with gold since it challenges dollar hegemony, but there is a considerable reluctance to squander American reserves simply to keep the price of gold down. So far, the U.S. Treasury has made only token sales.

Two bids this week exceeded 150 dollars an ounce, one was above 141 dollars and 30 others ranged from 137 to 141 dollars. Though only 750,000 ounces remained for sale, bids were received for a total of 4,307,200 ounces, the lowest being three bids under 121 dollars.

Far from depressing the price, the sale therefore strengthened the market and amounted to an embarrassment for the anti-gold lobby in the U.S.

The IMF has, not surprisingly, announced that next year it will sell 10-million ounces, instead of every six weeks, on the first Wednesday of each month. The hope is that more regular sales will be less visible and therefore give less of a boost to the market.

BULL TREND

Paradoxically it was the fall in the gold price after this week's auction that confirmed the metal's new bull trend for bullion dealers and analysts in London and Zurich, the Argus Bureau in London reports.

'There were no bears trying to cover their short positions after this auction,' said a dealer at London bullion merchants Sharpe Pixley.

'Instead there were profits to be taken by people who had bought ahead of it and sold on the event. That, for us, was the big difference. We are now in a bull market.'

Few dealers are prepared to put their names to forecasts of the price movement over the next few weeks and months.

But they have raised their new year sights to 140 dollars an ounce and, after some expected selling of the 6.35-million ounces the IMF is returning to member countries, a steady progress to 150 dollars by October 1977 . . . when the central banks will be free to use the gold for transactions.
GOLD AND A
TURN FOR THE BETTER

SOME POINTERS on how gold and gold shares could do in the first half of 1977 have emerged — the result of the fifth IMF gold auction and the reports and chairman's statements of Union Corporation's Evander and Free State mines.

They are not unidirectional but, combining the two influences, the overall outlook is brighter than six months ago and dividend distributions seem set for a turn for the better.

The outcome of the gold auction was far better than would have been thought possible three months ago — both in terms of the average price and, particularly of bids for 4.3 m ounces for the offering of 750 000 ounces.

Two of the fundamental reasons for the near-collapse of the bullion price of around five months ago was the food belief in many quarters that the US attempts to demonetise gold were going to work and, in consequence, no one would want it virtually at any price.

The demonetisation theory received backing from expectations that the great recession of 1973 was well on its way out.

Thus, ran the argument, the world's economy would be back on the path of continuing growth and, with this calm, would return to the monetary scene with special drawing rights taking over as the main constituent of currency reserves.

In the event, economics again defeated the economist. The sharp enduring recovery failed to happen and acceptance of a dog's breakfast of 15 currencies as the absolute measure and store of value is further off then ever. A tacit admission of the hollowness of such expectations is that the return of gold by the IMF to depositors, to be started-up next year, will operate on a gold-SDR parity.

In recent months, as Mr Lyra van den Bosch, chairman of Union Corporation's Evander mines, said, the support for gold has come mainly from demand for fabrication purposes, which underlines the fact that the man in the street, no matter the extent of his personal wealth, holds that nothing is as good as gold.

These can be taken as the main reasons for the successes of last two gold auctions and are likely to continue to play their part in the foreseeable future.

Events in the US could spur this. The first is that its economy seems unlikely to get moving to the extent hoped-for earlier in the year and this cannot but inhibit a correspondent pick-up in international trade. Serious doubts about this are mirrored in the weakness of prices of key commodities and mounting stockpiles.

The second consideration is that, should Mr Jimmy Carter go through with plans to reduce unemployment by economic pump priming, it is odds on that the inflation rate will take a turn for the worse with a weakening of the dollar in foreign exchange markets.

As relatively recent history has shown, this has proved the main incentive for refuges being sought in gold and gold shares — particularly with the myth that property and equities provided an inflation free haven having gone the way of flat-earthism.

The heavy total of bids at the last two auctions does suggest that buyers expect the price to move up in due course otherwise they would not want it.

However, demand could prove sensitive to sharp increases as was proved in early 1975. Accepting this, working revenue per ounce received by the mines can be expected to rise.

The snag is what can happen to the cost of producing an ounce of gold. Unless there is a sharp decline in the domestic rate of inflation — and chances of this coming about in the foreseeable future are slim indeed — unit costs will keep pace with this. As Mr van den Bosch says, it is fanciful to think otherwise, but new factors are also clouding the picture.

These relate to underground work patterns which will take some sorting out if mill tonnages are to be maintained or improved upon. It is in this area that lower-grade mines are particularly sensitive.
How that price trip the Americans planned tipped in South Africa's favour
FLOP THAT FLIPPED IN OUR FAVOUR

- From Page 1

Austrian Government has used newly-minted gold coins of 1300 schillings face value (RS2) to soak up excess liquidity, and the coins have been selling fast even at a huge premium.

Similarly, Krugerrands are now selling so well that the anti-South African Municipal Government of Denver in Colorado has recently tried to discourage sales there.

Nobody expects gold to return to the heady days of 1973 and 1974 when the price soared most daily. For one thing, the IMF will begin to return gold to its members in January, starting with 1,250,000 ounces. Altogether 25 million ounces will be returned to individual countries, over four years, and some of this may come on to the market, but not much.

Most of the gold will be given to countries that intend to keep the metal in their reserves, and only small quantities are likely to be sold by Third World nations deeply in debt.

The remaining sources of uncertainty are Russian intentions, and the possibility of further sales from the American gold stocks. The Russians come into the market fairly predictably when they think the price is right, but the Americans, who have the world's biggest gold stock, constitutes a wild card factor, according to experts here.

This implies that the American buyers were acting as agents for buyers in Europe or, more likely, in the Middle East, as the three main Swiss banks usually do.

Two bids exceeded 150 dollars an ounce, one was above 141 dollars, and 30 others ranged from 137 to 141 dollars. Though only 790,000 ounces were on sale, bids were received for a total of 4,307,000 ounces, the lowest being three bids under 121 dollars.

Far from depressing the price, the sale therefore strengthened the market and amounted to an embarrassment for the anti-gold lobby in the US. The IMF has, not surprisingly, announced that from next year it will hold its sales monthly, instead of every six weeks, on the first Wednesday of each month.

The hope is that more regular sales will be less visible and therefore give less of a boost to the market — which is quite the opposite of what the Americans planned when they first launched the scheme to sell the IMF's gold.
Republic strikes black gold

CAPE TOWN — Oil has been discovered in South Africa, but extraction problems are preventing the dream of the Republic having its own source of "black gold" becoming a reality.

In an announcement from the Sedco K drilling rig 23 km off the Southern Cape coast near Mossel Bay, the Minister of Mines, Mr S. P. Botha, said yesterday traces of oil had been struck about three weeks ago.

The find has been confirmed in tests conducted by the State-owned oil corporation, Soekor, but because of the rock structure in the area, the oil could not be extracted for economic use.

The discovery is the first in the offshore drilling programme which has so far put down 21 holes.

The minister, who was accompanied by the general manager of Soekor, Dr P. J. van Zijl, and the chairman, Mr P. de Villiers, described the strike as "very promising" to a party of journalists visiting the rig.

Elaborating on the find, Soekor's project manager, Mr R. M. Walker, said the oil was "live," meaning there was adequate pressure for recovery.

But the permeability of the area was insufficient.

The fluid had to be transmitted through layers of silt, sand and rock which were not porous enough to permit this.

It was possible that the problem could be overcome and further seismic work was being conducted to find better sand for another hole. Gas had also been discovered, but not in commercial quantities.

"The strike is very encouraging," Mr Walker said, "although it's a pity the liquid is so tightly bound that we can't produce."

The Sedco K would begin moving today to a new drilling site about 135 km south of Mossel Bay on the edge of the Continental Shelf.

It would take about a day and a half to reach the new location and another two weeks to lay anchors and set foundation structures. The rig would probably return to its present site in about six months.

The offshore oil search was launched in December, 1972, by the then Minister of Mines, Dr Koornhof. The programme was undertaken to reduce South Africa's dependence on foreign supplies of crude, which cost the country about R1 034 million in foreign exchange this year. — DDC.
Industrials gain with gold in doldrums

JOHANNESBURG — Industrials continued to move ahead in Hollard Street yesterday, but at this stage, the scene hardly constitutes a movable feast in Hemingway terms.

Attention remains centred on the 40 war horses, except in special circumstances such as Bicron, which leaped ahead again on a bid.

The Securities Rand rate, which has brought the discount to 45 per cent, has dried up, overseas selling and with gold in the doldrums at present. Investors are turning their attention to better class industrials.

The gold sector got no joy from the gold bullion market yesterday as the pre-Christmas feeling in London trade in the metal.

The London price was unchanged and United States price was lower in thin trading.

Diamonds were off the top so the gain was minimal. Some coppers edged up by platinum were unchanged. Coins were on the go again as were the asbestos counters.

De Beers put on 1c to 35c and Anamint gained another 25c. Messina and Minorco were up 10c and 5c respectively with Palamin steady in coppers. Tavistock gained 50c. Apex improved 3c.

Natal Ammonium was bid 25c higher while Trans Natal gained 5c. Welgevonden traded 3c higher while Zungun settled at 250c, 20c higher than the last bid price.

Gefco advanced 50c and Msaui put on 15c with Cons Munch unchanged in other metals.

Randfontein was unchanged. Kinross and Winkels were a few cents weaker in Evanders. President Steyn featured with a 50c higher bid and Buffels was marked up 25c. Harmony, Loraine, Welkom, Doorns, East Drief and Lihau were up in the 5c to 10c range.

TC lands settled 50c up on the past bid price and Anwil firm at 15c. Angold put on 25c while selective, but here for some issues were off the day's highs. Net gains ranged to around 12p.

IC1 led industrials higher adding 10p while Lucas bowater, AP cement, Sami, Thorn and Hawker Siddley showed net advances of 6p to 8p.

Shell was 10p up in a fairly active oil sector. BP rose 12p. Banks gained up to 8p.

In Salisbury, quiet trading conditions recorded sales in the industrial section. Minor improvements were noted in Tanganyika and Merlin at 35c. Unchanged was Hippo Valley, David Whitehead and Gatoona Textiles.

Financials were largely neglected with sales in CG Holdings 20c Impala 5c. Mashonaland Holdings 5c.

In the mining sector, Mangulas continued firm, at 185c, but Corcos moved 5c lower to 100 — SAPA-RNS-FDC.
SUSSEX CAROL

(CHRISTMAS)

1. On Christmas night all Christ-ians stand, 
And sing the song of praise, 
And break the bread of life, 
And hear the news of grace.

2. All Christ-ians sing, 
And break the bread, 
And hear the news, 
And sing the song.

3. News of grace, news of joy, 
News of peace, news of light, 
News of love, news of love, 
News of grace, news of joy.

4. News of grace, news of joy, 
News of peace, news of light, 
News of love, news of love, 
News of grace, news of joy.
IMF's RETURN OF GOLD HITS PRICES

Financial Editor

THE gold price fell sharply in North American markets last night on the news that the International Monetary Fund had begun returning 6.25-million ounces of gold to 17 member states at a cut price of 35 SDRs (42.22 dollars) an ounce.

In London this morning the gold price opened 2,875 dollars lower at 128.50 dollars an ounce. Later, however, it was fixed at 129.40 dollars.

In Winnipeg the cash price for January delivery gold fell 4.20 dollars to 128.60 dollars an ounce. On the New York Commodity Exchange gold prices were between 5.50 dollars and 5.90 dollars lower, with January contracts dropping to 127.30 dollars, Reuters reports.

Fears that some of the gold which the IMF is returning to member countries may quickly find its way to the free market is believed to be the main reason for the drop in prices.

The move is part of the IMF plan to sell 25-million ounces of gold on the free market during a four-year period and at the same time restore 25-million ounces to the member states which had originally contributed it.

SMALLER MEMBERS

While some of the smaller IMF members will almost certainly take advantage of the IMF move and turn their gold into cash, this is not at all worrying the gold market unduly, as only small amounts of the metal would be involved.

Causing much more concern, however, is what will happen to the 1.4-million ounces going to the United States.

Reports from Washington are that the U.S. Treasury's gold policy staff has recommended that the incoming Treasury Secretary, Dr. Michael Blumenthal, should sell the gold as soon as the United States receives it.

This amount of gold, equal to about three weeks of South Africa's current production, could be expected to depress the market temporarily if it were dumped on the market all at once.
Gold carries on lower by Neil Beermann London

The price of gold continued to slip in London yesterday falling to £211.45 in the morning and £211 in the afternoon. The new year trend has been interesting. Gold started off with a bang on the first trading day following the holidays. Dealers and professionals were confident. They believed the demand and supply situation would favor a steady price, and there were being orders, especially from speculators. Since then the price has eroded.

A London dealer says the market suddenly went dead last Wednesday. With no buying, sellers knocked the price back quickly. Yesterdays dealers reported heavy selling, but they could not say where the orders were coming from. (They say the selling did not come from the Russians, because it tends to sell into strength. So it appears that state bulls are tending to offload gold.)

Bullion brokers Sharpe's Pixley says that the market has adapted itself to handle the International Monetary Fund's auction sales because the sharp movements and erratic conditions evident after the first three auctions did not reappear after the December sales. Sharpe's Pixley believes that the more frequent sales of £200-300 a month beginning in March should help to reduce erratic tendencies in the market. Sharpe's Pixley does not see any major movements in the market.

This is in line with the thinking of other dealers who say it will be difficult for gold to pierce £210. So it appears as if gold will trade in a narrow range over the next month. Sterling remains firm on the foreign exchange markets following optimism over potential North Sea oil sales over the next few years and a decision over overseas unexploited - were less productive, with the winter months - duration.

The pattern of trading was well established by this time.

10
Call to nationalise gold mining industry

CAPE TOWN — Mr Carter Ebrahim, a senior member of the Labour Party and CRC member for South Cape, yesterday appealed to his party to campaign for the nationalisation of the gold mining industry in South Africa.

Mr Ebrahim told the annual conference of the Labour Party in Athlone that the gold mining industry could play a far more progressive role in helping to solve South African poverty, if it were state-owned.

The immense profits of the industry which accrued to the private companies at present could then be used to increase wages on the mines and to subsidise the rapid development of the manufacturing industry in South Africa.

He said the need for nationalisation was becoming more pressing as the reserves of workable gold ore in the country declined.

South Africa had to begin to shift from gold mining as a major economic resource to manufacture to avoid chaos, he said.

This would mean a massive transformation of South Africa's attitude to black unskilled or cheap labour to one of "recognising the need to turn every able-bodied South African, black or white, into a modern skilled worker."

Nationalisation of the industry would hit the "very heart of apartheid" and the "very cause of black poverty in South Africa."

Mr Ebrahim also appealed to his party to "bind its energies to the task of transforming rural relations from feudalistic to democratic."

The party should campaign for the inclusion of all agricultural workers under the provisions of the Wage Act of 1957 and the Industrial Conciliation Act of 1956 and other relevant labour legislation.

"But basic to all this is the need to establish the right of all who wish to acquire land for productive farming," he said. — DDC.
We can’t rely on gold
— Heunis

RUSTENBURG. — The Minister for Economic Affairs, Mr Chris Heunis, said in Rustenburg yesterday that South Africa would not be foolish to think that the price of gold could be used to compensate for the continuous rises in the prices of oil and other imported goods.

The developments in our balance of payments after the sharp decline in the gold price during 1973 have already given us a taste of the type of problems we will encounter if we do not succeed in lowering the relative level of our fuel consumption permanently," he said.

Although it was too early to judge the effects of the recent fuel saving measures, he was confident that fuel consumption could be cut if everybody cooperated.

"If everybody in South Africa acted responsibly we would not only be making an essential contribution to easing our balance of payments problems, but it will also enable us in the long term to finance out of our own resources a higher growth rate than we can at present."

The recent and the expected further increases in the oil price were not the only reasons for South Africa’s increasing reliance on imported goods and foreign capital.

There was a tendency in the economy to make production processes increasingly capital-intensive.

Less employment opportunities were being created for every rand invested in production capacity; and this posed the real danger that a high level of unemployment could become a structural problem in the economy.

“This matter requires our urgent attention, and I intend ordering an investigation into the causes as well as the possible steps to handle it effecti-

— Sapa
By Lita Dudlewicz
Johannesburg—Anglo American and Rand Sel, which has a large stake in Rand Sel, were suspended on the Johannesburg and overseas stock exchanges today at the companies' request.

Rand Sel's share price fell sharply from £1 from London yesterday and fluctuated between 760c and 610c.

Related Anglo American counters -- De Beers, for
Gold Fields’ group profits also ahead

Johannesburg.—Profits of gold mines in the Gold Fields group for the quarter ended December 31 were higher than in the previous quarter.

Production at all group mines was adversely affected by an acute shortage of labour during the quarter, with available labour varying between 71 percent and 81 percent of requirements.

Production at 2,447,761 tons milled compared with 2,674,610 tons in the September quarter was down by 8.7 percent. This was partly offset by an increase in grade from 13.7 g/t to 14.3 g/t, and gold recovered at 34,941 kg was only 4.5 percent below that for the previous quarter.

There was a 7.4 percent increase in the average price received for gold — R3 351 per kg as against R3 120 per kg — and total revenue of R118 million was 2.5 percent above the R115 million for the September quarter.

There was an 8.5 percent increase in unit working costs — from R21.42 per tonne to R23.5, attributable to the lower milling rate, but total working costs were marginally lower at R57 million.

In addition to R61 million working profit from gold there was R6.5 million from Sunday items, profit on pyrite, uranium revenue and recovery by Libanon, on its fire insurance claim, resulting in total profit eight percent above the R62 million for the previous quarter.

Capital expenditure at R17.5 million was at the same rate as before.

Profit results at individual mines, with the previous quarter’s results were:

- West Driefontein. Profit after tax R16 020 000 (R14 892 000).
- East Driefontein. Profit after tax R12 680 000 (R12 378 000).
- Kloof. Profit after tax R4 488 000 (R4 673 000).
- Libanon. Profit after tax R2 576 000 (R1 457 000).

The report said that tonnage milled and recovery grade continued to be adversely affected during the quarter as a result of the underground fire which broke out in the high grade Venterdorp contact reef area at the Harvie Watt shaft on September 2. The fire had been extinguished and stoping in the area has been resumed.

Doornfontein. Profit after tax R1 988 000 (R1 626 000).

Venterspost. Profit after tax R76 000 (loss of R1 231 000).

Vlakfontein. Profit R76 000 (loss of R152 000).

The report said that it is expected that underground mining operations will cease towards the end of the quarter ending March 31, 1977, by which time the remaining ore will have been depleted and water from adjoining properties will have entered the mine.

The milling of low grade ores from the surface dump will, however, continue thereafter for as long as this operation remains economically viable. — Sapa
IMF ‘handouts’ dampen gold market

By NEIL BÉHRMANN

LONDON. — The International Monetary Fund’s distribution of 6,25m ounces of gold is the dominant factor dampening the market. This distribution is the "restitution exercise" which involves the sale at the official gold price of around 40,4 United States dollars to member countries.

The distribution will be based on members’ general account quotas and not upon their gold subscriptions and members must pay for this gold in currencies which the fund is short of—for instance the United States dollar, the German mark, Belgium franc.

The restitution exercise begins this month and the countries will be able to take up their allocation at any time before June 1978.

The uncertainty is how much of this gold will be sold on the free market. Stockbrokers W Greenwell and Co in an analysis of the allocation conclude that the distribution is unlikely to have a significant impact on the market.

Open market

Greenwell maintains that if all member countries were to dispose of their allocation on the open market, the gold would amount to 12,7 percent of the estimated gold supply to the Western world—assuming Russian sales of 200 tonnes.

Debtor countries— including, Italy, United Kingdom, Spain, South Africa and Australia — will receive 46 percent or 2,87m ounces of the allocation. If these debtor countries sold all this gold, it would represent only 5,8 percent of the estimated gold supply.

If the less developed countries disposed of their allocation, then the sales would account for a mere three percent of the supply.

The general feeling in the market is that sellers would likely to be Third World countries. These nations would use the profits from the sale to pay their debts.

The 6,25m ounces will be worth 800m to 850m dollars at current gold prices. Yet the developed, rather than the underdeveloped nations, are getting the lion’s share, so the restitution will only offset Third World deficits, slightly.

For example, the United States receives 23 percent of the total allocation, while India receives three percent. "Other" less developed nations (LDC), including African countries receive 13,5 percent of the allocation.

The gold price slipped again yesterday, reflecting the uncertainty of yet more supplies. The market is also waiting for the auction. So far the market is marking time until it can readily see how much of the "restitution" gold actually finds its way to the market.
SHAREHOLDERS SEEK TO BLOCK TAKEOVER

THE proposed takeover of the South Roodepoort gold mine by the Randfontein gold mine through a scheme of arrangement is running into opposition from the Shareholders' Association.

The association has announced that after carefully considering the scheme it has come to the conclusion that it is not in the best interests of the minority shareholders.

Consequently, it is opposing the take-over and is asking all South Roodepoort shareholders to lodge proxies with it in favour of its representative, Mr I. Goldberg.

This will enable him to vote against the scheme when it is submitted to shareholders at the general meeting next Monday.

100c A SHARE

Randfontein is offering 100c a share in cash for every South Roodepoort share. South Roodepoort's directors have recommended acceptance of the offer.

Giving reasons for the decision to oppose the offer, the chairman of the Shareholders Association, Mr R. R. Clark, points out that though South Roodepoort's directors say the mine is uneconomical at a gold price of 130 dollars without State assistance, state assistance is in fact available.

The association believes that under tight management the mine could be operated at the present gold price without severe losses and that the expected increase in the gold price would lead to profitability, he says.

MINE'S HOUSES

He adds that the assets of the mine are considerable and that the sale of the mine's houses alone should bring not much less than the R1 a share offered by Randfontein.

Furthermore, South Roodepoort owns a valuable participation right in the lower levels of the property.

JCI, which controls Randfontein, owns the right to mine these lower levels.

Should Randfontein decide to exploit the lower levels, South Roodepoort would have a participating right in that development.

Proxies in favour of Mr Goldberg can be lodged either with the Shareholders Association, CTC Building, Plein Street, Cape Town, or at the offices of South Roodepoort in Johannesburg.

Derek Tomney
7pc rise in price to gold mines

A SEVEN PERCENT rise in the average price received for gold helped to push Gold Fields group mines' net profit to R39-million in the December quarter, R5-million up on the September quarter.

The average price was R3.351 a kg against R3.120 and total revenue of R118-million was R22-million higher. This offset a fall in production and a labour force varying from 19 to 29 percent below strength.

After-tax profits (previous quarter in brackets) were:
- West Driefontein: R16,1-million (R14.3-million).
- East Driefontein: R12.6-million (R12.2-million).
- Kloof: R4.4-million (R4.6-million).
- Libanon: R2.5-million (R1.4-million).
- Doornfontein: R1.8-million (R1.6-million).
- Venterspost: R79,000 (R1.2-million loss).
- Viapontein: 2767,000 (R152,000 loss).

RAND MINES

Substantial uranium sales by Harmony and extra State aid for Durban Deep and ERPM boosted group taxed profits of Rand Mines to R20.4-million in the December quarter.

Uranium and acid profits jumped from R859,000 to R14.8-million.

Of Harmony's R14.4-million taxed profit (R1.8-million in September quarter), only R1.7-million (R668,000) came from gold.

Blouvoetsdrift: R1.5-million (R6.1-million).

ERPM: R14.5-million (R187,000).

Durban Deep: R1.8-million loss (R2.2-million loss).

City Deep: R163,000 (R1.2-million loss).

Taxed profit of Witbank Colliery rose 8 percent to R9.1-million (R8.4-million) in the December quarter.

At Welgedacht earnings were down 29 percent to R1.2-million.

Tom Hood
Randotrition, W Areas Profts rise
Suspensions: Anglo reasons today?

JOHANNESBURG. - The shares of the R1 223m Anglo American Corporation and its associated company, the R700m Rand Selection Corporation, were suspended on the Johannesburg, London, Paris and Rhodesian stock exchanges yesterday.

No reasons were given for the suspensions, made at the request of the two giant South African financial companies.

Broking circles believe the Anglo group is planning to merge the two companies, with Anglo American bidding for the Rand Selection shares.

A merger of the assets of the two companies would create a huge company of tremendous financial strength.

Brokers report heavy buying of both Anglo American and Rand Selection shares - largely from London sources - and on Monday Randel shares fluctuated between 760c and 810c, putting on 35c on the day.

The two companies remained silent all day on the reasons for the suspension of the shares.

All an Anglo American spokesman could say last night was: “There will be no statement today, perhaps tomorrow.”

— Sapa
**Long-term sales pact for uranium**

**JOHANNESBURG.** Randfontein Estates, a gold producer in the Johannesburg group, has obtained long-term sales agreements with a guaranteed base price in escalating United States dollars for its future uranium production.

The buyers are also to provide R50 million of the estimated R145m needed for the two-year expansion programme to increase the company's mining and treatment facilities for gold and uranium to a level of 250,000 tons milled per month.

An announcement said Nufcor (the Nuclear Fuels Corporation of SA), acting as Randfontein's agent, had formally entered into the agreements.

Apart from the guaranteed base price, Randfontein will get a market-related price if world market prices during the contract period exceed the escalated base price.

The financing of a large part of the expansion programme, which has already started, will be through interest-free loans totalling 103.8 million United States dollars (R90m), which will be made available in three equal instalments. The first has already been received, and the others will be drawn down on or before July 1 this year and July 1 next year.

The loan is repayable over an extended period.

In terms of the requirements of the SA Atomic Energy Board, the company is not permitted to disclose the identity of the purchasers or certain other details of the sales agreements, as being against the interests of the uranium industry. — Sapa
Anglovaal advance

JOHANNESBURG. — Higher average gold prices received in the December quarter by the Anglovaal group’s gold mines more than offset generally reduced milled tonnages — caused by the continuing shortage of Black labour and a slightly shorter working quarter.

After-tax profit of the group’s mines rose, in spite of higher taxes, to R7 196 000 from R6 902 000 in the September quarter. Working profit from gold rose to R11 902 000 (R7 439 000).

Mill throughput at Hartbeesfontein was 105 000 tonnes lower, but Loraine’s figure increased by 12 000 tonnes as a result of the mine’s on-going expansion programme to raise production to 135 000 tonnes monthly.

ETC’s figure was only fractionally lower as an efficiency drive almost offset the labour drop.

Loraine has reached agreement in principle with the authorities for additional assistance in the form of state loans.

Unit costs were reduced at both ETC and Loraine, but increased at Hartbeesfontein, while yields were little changed at all mines.

The copper/zinc producer, Prieska, milled a record 729 000 (665 000) tonnes, but despatches — and profits — were reduced as there was only one export shipment of concentrates during the quarter as opposed to two in the September quarter.

Consolidated Murchison’s production of antimony concentrates was lower as the mine is taking longer than expected to develop and open up high-grade ore in the Athens shaft area. Combined with slightly higher costs, this caused after-tax profits to fall to R1 159 000 (R2 364 000).

This mine also published its unaudited figures for the year ended December 31. These show that mill throughput was 5 300 tonnes higher, while production of concentrates and cobbed ore was about 600 tonnes lower.

However, revenue was substantially higher and the after-tax profit rose to R8 115 000 (R6 044 000). — Sapa
Labour drop a blow to Unicorp

JOHANNESBURG. — The supply of labour to Union Corporation’s gold mines fell off in the last quarter of 1976, the directors note in a statement accompanying the quarterly results.

The underground labour strength at December 31 as a percentage of requirements at group gold mines ranged from 67 percent at Winkelhaak to 91 percent at Grootvlei.

All mines face shortages. The position at the others at the year-end was — Bracken (86 percent), Kinross (85), Leslie (71), Marievale (77), and St Helena (78).

Total profits, after tax and lease consideration of the seven companies, fell by 7.8 percent in the December quarter to R15 164 000 (R16 439 000).

Among the major earners, St Helena slipped to R8 093 000 (R8 933 000), Kinross to R1 811 000 (R2 591 000) and Bracken to R1 054 000 (R1 272 000). Winkelhaak, however, improved to R2 980 000 (R2 741 000).

Of the others, Marievale rose from R165 000 to R444 000 and Grootvlei from R236 000 to R604 000, but Leslie fell from R501 000 to R178 000.

The total estimated tax and
MINES BRING IN RECORD TOTAL

SOUTH AFRICA'S non-gold mining industry enjoyed a record income of R1 307.3-million in the first nine months of last year, figures issued by the Department of Mines show.

This was 31.1 percent more than the R997.3-million realised in the first nine months of 1975.

Domestic sales of industrial minerals rose 32.3 percent from R431.1-million to R570.5-million, while export sales increased 30 percent from R366.1-million to R739.8-million.

Biggest increase was in sales of coal, both for domestic and overseas consumption.

Domestic sales jumped by R92-million to R236.4-million, while export sales rose by R31-million to R42.7-million.
2-for-1 offer by Anglo American.

ANGLO AMERICAN stands to receive a massive cash injection if its plans to take over Rand Selection are approved.

Although the terms could be changed, Anglo American is proposing to offer two of its shares for every Rand Selection share, subject to Rand Selection shareholders subscribing R330 million by way of a rights issue.

As cash-rich De Beers is a substantial shareholder in Rand Selection and will underwrite the issue, De Beers will pay several millions of rands to Rand Selection, which will then be able to repay Anglo American the money it owes.

Mr H. F. Oppenheimer, chairman of Anglo American, says one of the principal motives behind the merger proposal is Rand Selection's tight cash position.

Colin Campbell
Gold revenue drops at Anglo mines

By ADAM PAYNE

As a pointer to South Africa's gold and uranium earnings in 1976, as well as costs, profits and tax, the annual results of the Transvaal mines of the Anglo American group show gold revenue down by 8 per cent to R333 367 000.

Uranium sales by Vaal Reefs and Western Deep levels more than doubled to R13 397 000 (R5 678 000). Of this total Vaal Reefs earned R11 978 000 (R5 017 000).

The four mines of the group are Vaal Reefs, Western Deep Levels — both large producers — and SAlands and East Daggafontein, which have closed but operated during the year.

There was a 21 per cent rise in working costs and a 20 per cent fall in net profits on the four mines. The State also lost out, with estimated tax and State's share of profit down 41 per cent at R68 923 000.

The average gold price received by the Transvaal mines in the year was about $119 an oz compared with $121 an oz in 1975.

Capital spending, which was almost wholly by Vaal Reefs and Western Deep Levels, was unchanged at R57-million.

Vaal Reefs costs rose 17 per cent in the year to R23.29 a ton. Net profit was down at R56 330 000 (R58 358 000).

Planned production for 1977 is 7-million tons milled (6 572 000) at a recovery grade of 8.6 g/t (10.04 g/t) of which production from Vaal Reefs South lease area will be an estimated 2 215 000 tons at the same grade.

Grade at the South mine was 10.11 g/t in 1976.

Estimated capital expenditure for the complex in 1977 is R39-million (R31 785 000). Of this R22-million will be spent in the South area.

Western Deep Levels.

There was a small drop in recovery grade in the year and as a result of reduced revenue and increased working costs, net profit fell 24 per cent to R44-million (R58-million).

Capital expenditure in 1976 totalled R18 922 000 — slightly higher than in the previous year — and estimated capital expenditure for 1977 is R22-million.

Planned production for 1977 is 3 080 000 tons (22 941 000 tons) milled at a grade of 15.0 g/t which will yield a slightly higher output of gold.
Free Staters get more

By DON ROBERTSON
Mining Editor

The higher gold price received by Anglo American's Free State gold mines more than compensated for the reduction in production in the December quarter and taxed profits rose 5.35 per cent to R242 213 000 from R40 070 000.

Tonnage milled was marginally down on the September figure as most mines were able to cut the rate of absenteeism and labour shortages usually associated with the December quarter through various incentives offered to employees.

Freddies: Milled tonnage fell to 279 000 tons (326 000 tons) but because grade was raised to 5.01 g/t (5.28 g/t) resulting in gold production rising to 1 584 kg (1 506 kg).

A working profit of R343 000 was earned compared with a loss previously of R1 064 000. After the inclusion of sundry revenue, the taxed profit rose to R438 000 (R311 000 loss).

F S Geduld: Abnormal ground conditions were experienced and mill throughput was cut to 566 000 tons (576 000 tons). Water jets are being used experimentally to mine out this talcose seam and early results have been encouraging.

As a result, operations were concentrated in the higher-grade areas and the yield for the quarter rose to 15.94 g/t (15.56 g/t). Gold production rose to 9 096 kg (8 945 kg) and with costs well contained, the working profit was up to R209 976 000 (R18 836 000). Tax was higher, but attributable profits increased to R12 657 000 (R11 733 000).

Some rich pockets were encountered in development work, as was the case with President Brand and Western Holdings, and a value of 4 831 cm g/t was proved on the basal Reef in the No 4 shaft area.

F S Snaiplaas: Gold production was raised to 1 229 kg (920 kg) following the increase in grade milled to 3.39 g/t (3.01 g/t) and a mill throughput which was only slightly down at 303 000 tons (309 000 tons).

The benefits of this were offset by a 9 per cent rise in costs, but the working loss was cut to R1 611 000 (R2 262 000).

Sundry revenue, however, brought in only R7 455 000 (R2 084 000) so that the total loss was R1 066 000 (R50 000). Capital expenditure is estimated at R9 500 000 for the current financial year.

President Brand: Gold production fell to 8 578 kg (9 491 kg) as a result of a drop in mill throughput to 762 000 tons (777 000 tons).

In spite of a reduction in costs, working profits were marginally down to R14 581 000 (R14 899 000). However, a sharp increase in capital expenditure, mainly on the metallurgical complex, resulted in the tax provision falling to R788 000 (R3 135 000) to leave taxed profits 25 per cent higher at R14 078 000 (R11 270 000).

Capital expenditure on the complex is estimated at R23 500 000 in the current year, excluding other expenditure of R9 500 000.

President Steyn: Tonnage milled rose to 748 000 tons (711 000 tons) as part of the programme to boost total production to 3 600 000 tons a year. However, a cut in grade to 9.11 g/t (11.10 g/t) reduced gold output to 8 612 kg (7 831 kg).

Welkom: Gold output fell to 3 306 kg (3 535 kg) because of a cut in grade to 6.58 g/t (6.56 g/t) and a reduction in tonnage milled to 336 000 tons (539 000 tons).

The working profit rose to R1 175 000 (R1 096 000). Sundry revenue was lower, but so was tax, leaving a taxed profit of R1 303 000 (R1 311 000).

Western Holdings: The working profit dipped to R16 455 000 (R16 712 000) as a result of lower revenue and higher costs.

Tonnage milled declined to 750 000 tons (798 000 tons) and with grade lower at 11.98 g/t (12.28 g/t) gold output fell to 8 909 kg (9 453 kg).
IMF gold for South Africa

SOUTH AFRICA has bought 68,400 oz of gold from the International Monetary Fund at the official price, but a Reserve Bank spokesman declines to say which currency or currencies were used in the purchase.

The gold is South Africa's share of the 5,250,000 oz of gold the IMF is returning to member countries.

The fund is to return 25-million oz over four years and South Africa can expect three more amounts.

Bankers say it will be easier for the authorities to acquire the gold once the IMF articles are changed this year, allowing countries to make the purchases in own currencies.

The bank spokesman said this was the main reason why the gold content of the foreign exchange reserves rose last week. — Reuter.
Gold mines hold rise in costs

By ADAM PAYNE

The crucial questions for gold mines are the gold price, labour and costs and on the score of costs Anglo American, General Mining and Anglovaal led the field in the December quarter. Industry costs overall were up 4.5 per cent.

Labour supplies of Gemmin were adequate and Anglo had a relatively good labour supply in the Free State but suffered at Western Deep Levels.

Adequate labour, of course, means the maintenance of good milling rates, with lower unit costs. Costs throughout the Anglo American group in the quarter rose 2.8 per cent which was highly satisfactory. The General Mining group’s rise was almost as good at 2.9 per cent.

Anglovaal’s performance was exceptional and is not comparable with those of the big groups because it operates only two gold mines — Lorraine and Hartebeestfontein.

Lorraine’s costs were down 15 per cent with higher mill throughput but this improvement was from the abnormally high level of R29.63 a ton in June and R27.50 in September. Better ventilation and other changes are improving productivity at this mine. Hartebeestfontein’s costs rose 7 per cent, which was a good performance.

Union Corporation and Rand Mines ran neck and neck with rises of 6.14 per cent and 6.15 per cent. Both groups reported low labour compliments on many mines.

Johnnies, with only two mines — Randfontein and Western Areas — had a unit cost rise of 7.39 per cent, with labour a problem at Western Areas.

Last in the race was GFS with costs up 8.35 per cent in the group and a shortage of labour generally.

This group has relied heavily on Malawi and Mozambique labour. There is for all practical purposes no Malawi labour on the mines, and Mozambique labour is being reduced.
Gold up

LONDON. — The price of gold rose in London yesterday. It was fixed at $132.30 in the afternoon and at $132.20 in the morning. Wednesday's second fixing was $132.15.
GFSA profits slashed

JOHANNESBURG — Attributable profits of Goldfields of South Africa slumped from R19.2m to R15.7m in the six months to December 31.

Income from investments plunged from R21m to R15.3m due to the lower gold price, increased taxes and loan levy, and the general shortage and high turnover of Black labour at the gold mines.

The interim dividend has been slashed from 75c to 50c. The directors note that as a result of the combined number of shares taken up as rights in the Deelkraal issue and as underwriters to the issue, Deelkraal became a subsidiary (50.45 percent) during the period.

As Deelkraal had not yet started mining operations and had capitalized all expenditure to date, the company's results have not been consolidated into the group's financial statements. — Sapa
Gold price up

The gold price jumped 2.35 dollars to 147.75 dollars at the morning fix in London today. And later it traded even higher in a 148/148.30-dollar range.

In Johannesburg, gold shares advanced right across the board on foreign and local professional interest. Marginal mines saw active trade but heavyweight uranium producers topped the gains. Randfontein put on 60c to a new high for the year of 4 450c.
Gold reserves to rise spectacularly soon

Harold Frithjon

South Africa's gold and foreign exchange reserves will rise spectacularly in the middle of the year when the gold holdings of the Reserve Bank are revalued to a market-related price in accordance with the changed Articles of the International Monetary Fund.

Yesterday, the Minister of Finance, Senator Horwood, gave notice of enabling legislation that would permit, the "official" SA price of gold to be raised from its present R99.55 an ounce to an adjustable price that would be fixed from time to time according to the free market price of the metal.

As an indication of what this would mean in monetary terms, if the gold content of last week's gold and foreign exchange reserves of the Reserve Bank had been "adjusted" to a price of R115 an ounce (about $30 dollars an ounce) total reserves would have been R1 782.8-million instead of the R719.1-million that they actually were.

The importance to South Africa of the change in the IMF Articles is that instead of the gold content of the reserves being "frozen" the gold in the reserves could be used at their full market price.

This will give the country additional financial muscle provided that the central banks of our trading partners will accept bullion as a medium for the settlement of debit balances.

Senator Horwood said yesterday that the book profit which will accrue as the result of the revaluation of the Reserve Bank's gold holdings will be for the bank's account, the gold mines will not benefit from the operation.

The only advantage that the mines will gain will be the immediate payment in full for their current output — instead of having to wait for monthly settlements of the difference between R36.55 an ounce and the market price for the metal — and a big saving on payments made to Mozambique as deferred wages of black miners recruited there.

Under the new pricing system, this could mean a saving of R66.7-million a year.
Gold earnings up (1978)

but uranium down (1979)

The position was all that the Chamber of Mines expected it to be when the year opened in April, when the first uranium price for 1979 was set. The average price for the year was $40 per pound, a drop of 17 percent.

Net profit of the Rand Mines was $3.6 million, with the other mines that are members of the Chamber of Mines having a combined profit of $20 million. The increase in workmen's compensation has contributed to a drop in production, but the outlook for the future is optimistic.

Dividends of 10c per share were declared, an increase of 10c.

The total of the mining population was 110,000, with a drop of 5 percent.

1. Position of the Chamber of Mines in the market.
2. Uranium prices.
3. Dividends.
5. Production.
7. Outlook for the future.
January gold output

SOUTH Africa produced 54 148 kg (1 700 000 oz) of gold in January compared with 55 324 kg (1 800 000 oz) in December and 56 338 kg (22 800 000 oz) in January last year, says the Chamber of Mines.

In 1976 South Africa produced 709 113 kg (22 800 000 oz), giving revenue of R2 376-million.
The gold share market appears to hold some promise, according to some investment analysts. The feature of today's action is a rally in the gold share index, which has been trading on the New York Stock Exchange. The rally is due to a combination of factors, including a rise in demand for gold and a drop in the price of gold. Analysts say the rally is a positive sign for the gold industry, as it indicates a growing interest in the metal as an investment. However, they warn that the rally could be short-lived, as the market is still in a state of uncertainty. The gold share index has been volatile in recent months, with prices fluctuating widely. Analysts recommend that investors should keep a close eye on the market and make decisions based on the latest information. Overall, the outlook for the gold share market is positive, but investors should be prepared for any unexpected developments.
Higher gold price lifts market confidence

JOHANNESBURG.—The higher gold price put more heart into Hollard Street yesterday and confidence spread into some non-gold sectors.

Gold shares opened firmer on overnight demand for selective counters, mostly uranium, from New York. There was a little shake out at higher price levels, but brokers reported shares on offer were well taken up locally.

The market appears to be looking for a break out at the 137 dollar level. Current firmness above the 135 dollar level indicates that could well happen. A feature in yesterday's trading was renewed interest in coal and it looks as if the coal index is set to run up another peak.

Witbank Cols seems to be the favourite at the moment and the price was run up 50c to R14.

Diamonds hardened after their recent sluggish performance. Other metals still looked jaded and the asbestos counters came off. Mining financials showed only three counters on the losing side, and industrial financials were generally firmer. De Beers gained 4c to 350c and Anamint put on 50c. Platinum was narrowly mixed and copper was neglected. At Cols, Natl Anthracite, Tavistock and Welgedacht were on the advance in coal; Apex, down 50c; and Natal Ammonium, down 10c, going against the trend.

Cons Murch edged up another 10c to reach 900c. Gefco shed 25c and Msul Sali declined 3c. Randfontein was back in the lead among the golds, putting on 125c.

This gain was equaled by West Drie, while Pres Brand scored a 75c rise and Harties firmed 50c. Other popular golds were up in the 20c to 25c range.

Anglo continued to firm putting on 5c, but Randseal declined 15c to 725c. Charter partially reversed its Wednesday loss, Johnnies rose 35c and GFSA, Midwits, New Wits and Unicorp were steadier.

Abercom, Amic, Barlows, D and H, John Mitcet and Smiths were up to 5c firmer, but Primrose lost 5c on results. Banks were dull with Concord, Volkskas, Nedbank and Santam a few cents lower. Lebowa SA, Brews, Tiger and Remgro were steadier and Otis features again in engineering, showing a gain of 25c over four days.

In London, the equity market firmed, helped by the one point base rate reduction by the clearing banks. Turnover was relatively small and closing prices were below the days high.

At 1660 the FT Index was up 6d at 391.3.

Government bonds saw some selling, but finished above lowest levels encouraged by the latest money supply figures. Net falls among lower loans ranged to 1/2 while shorts and mediums held relatively steady. Gold shares firmied with the bullion price but were off the day's highs at the close.

Fisons, Decca and Hawker were all 8p higher while gains of 4p to 8p were scored by most other leaders. BP was 10p down in a relatively quiet oil sector. Dealers ascribed the fall to lack of interest after the recent bull phase.

Banks eased 2p after the base rate reduction but rallied to close steady to firmer. Delay to the Shipbuilding Nationalisation Bill caused firmness in Swan Hunter, John Brown, Wickers and Yarrow.

Chinese bonds were trading around one point higher amid speculation that a settlement of defaulted debt may eventually be arranged by China. — DDC/SAPARNS.
Gold move will hit Mozambique

Business Times Reporter

Mozambique economy 'distress' Convention is moving in terms of Mozambique's economic situation and the government's crisis management. A spokesman for the Reserve Bank said the Mozambican economy is in a state of distress and that the government is facing a 'distress' Convention. In terms of the economy, the official price of gold is about $1,200 an ounce - on the free market - while the gold is traded at market rates.

The Reserve Bank's statement that the Mozambican economy is in a state of distress is based on the fact that the economy is facing a crisis and that the government is facing a 'distress' Convention. In terms of the economy, the official price of gold is about $1,200 an ounce - on the free market - while the gold is traded at market rates.

In Parliament recently, the Reserve Bank, in a statement, said that the Mozambican economy is in a state of distress and that the government is facing a 'distress' Convention. The Reserve Bank's statement that the Mozambican economy is in a state of distress is based on the fact that the economy is facing a crisis and that the government is facing a 'distress' Convention. In terms of the economy, the official price of gold is about $1,200 an ounce - on the free market - while the gold is traded at market rates.

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Gold price rises above 140 dollars

Mercury Correspondent

LONDON — The price of gold rose above 140 dollars yesterday — the highest price since December, 1975. Dealers said there was much greater investment interest and this factor had altered the delicate balance between demand and supply.

A fortnight ago, in Business Mail it was reported that with zero investment interest, the market was in balance because industrial demand was absorbing available supplies.

A slight rise in investment demand would swing the price upwards. But in the past week or so, the market moved gently higher, drawing in investors who had become worried about the world inflation picture.

They had also experienced dull conditions in world stock markets and were looking for an area in which they could make a quick capital gain.

On the supply side, both Swiss and London bullion managers affirmed that Russia has been out of the market for some time.

They felt that gold was in a "crucial" area, because the Russians might soon take advantage of the higher price and start selling again.

Also, large investors and operators had entered the market around the 133 to 133 dollar level and dealers said that they appeared ready to take profits.

On the charts, gold is now trading in a resistance area ranging from 130 to 135 dollars. If the price breaks through 140 dollars, it could run up sharply.

"A London bullion manager said: "I don't think that there is a fundamental reason for a big increase in the price at the moment but it is difficult to predict on fundamentals when emotions are at work."

Some London dealers were cagey about the 81 tons of Chinese bullion which had been shipped to London; but Zurich dealers insist that the gold reached the free market and that most of it had been sold.

They said that industrial demand, especially jewellery and Middle Eastern demand, is firm, while European investors were expressing interest in the metal.

U.S. interest

They denied that Swiss investors were switching into bullion, following American reports that the Swiss franc would fall.

In London, gold shares were firm with brokers saying that there was greater American interest.

Leading Scottish brokers Wood, Mackenzie and Co., have produced a detailed study on gold and gold shares. The brokers feel that gold is in a strong statistical position and estimate that the average price of gold will be between 140 and 150 dollars this year.

They maintain that their current approach to gold share investment is still fairly cautious, considering the South African political situation.
Gold jumps to highest since Dec 1975

By NEIL BEHRMANN

LONDON — The gold price rose to $111.25 at the second fixing in London yesterday — the highest since December 23, 1974. The morning fixing was $109.25, compared with Wednesday's second fixing of $109.15.

Traders say there is much greater investment interest in gold and that this factor has altered the balance between demand and supply. A fortnight ago it was reported that with no investment interest, the market was in balance, because unquoted demand was absorbing supplies.

But in the past week, the market has moved greatly higher, drawing in investors who had become worried about the world inflation picture. Investors also experienced difficulty in meeting the new conditions in world stock markets and are looking for an area in which they can make a quick capital gain.

Both Swiss and London bullion managers say Russia has been out of the market for some time. They say gold is a "normal" asset, and because the Russians may take advantage of the higher price and resume selling, some bullionists are not selling shares at $112 and $113 and dealers are offering ready to take positions.

On the charts, gold is trading in a resistance area ranging from $109 to $110. In the range from $110 through $110, it could move sharply.

A London bullion manager said: "We don't think there is a big increase in the market, but it is difficult to predict when emotions are at a high level."

Some London dealers are non-committal about the 41 lots of yellow gold which were shipped to Britain for an import by a British dealer, but Swiss dealers expect that the gold reached the open market and that most of it has been sold. They say industrial demand, especially for jewellery, and Middle Eastern demand is firm, and European investors are expressing interest.

They deny that Swiss investors are shifting into gold following American reports that the Swiss franc will fall.

In London, gold shares were firm yesterday, with brokers saying there was greater American interest.

Scottish broker Wood, MacGregor & Co has published a study on gold and gold shares. The broker says gold is in a strong position and it estimates that the average price will be between $100 and $110 this year.

The firm's approach to gold is: "in a study investment in South African shares is considered as cautious, considering the South African political situation."

For those who believe this is substantially discounted in current share prices, the firm recommends a three-tier approach to portfolio appraisal: first, it recommends President's, St Helena, President Brand and Winkelsaal; second, Harmony, Libanon and Belfuefontein, for those who are more optimistic on gold this year; and third, Beaufort, for President Stern and Randalls are regarded as technically undervalued on a short-term view.

The gold share prices are interesting because the gold shares, are chosen on a simplified risk analysis technique. Various criteria are weighted — for instance, share price in relation to present value, capital expenditure on gold, profit distributions, gold price, grade, grade, grade, current and prospective dividend yields.

In addition, labour efficiency is assessed. The firm also considers which the labour concerns of ore and the labour concerns of ore and the labour concerns. For instance, if the ore is low-grade, a higher standard must be considered as a risk, because of political problems.
Gold

5 November 1977 —
27 June 1978.
SATURDAY, NOVEMBER 5, 1977

Gold rises to $166.25

GOLD BREACHED the $166.25 level at the close in London yesterday - a gain of $1.85 on the day with no signs of profit taking and demand remaining firm.

The metal moved strongly through the day from the opening of $164.70, where it was $30c up, to the closing price of $166.00.

The continuing volatility of world currency markets has led to mass investors heeding into gold. Prospects for the future are uncertain, the dollar's weakness is reflected in concern over the trade deficit and inflation. Meeting has reacted sharply to UK political developments and currency in Hong Kong.

The Cape Times London correspondent writes:

Swiss bankers admitted that clients liquidated large balances of sterling and some of the funds were directed into gold. A year ago, Swiss and German bankers took a bullish view on sterling and UK gilt, buying continuously throughout the year and a huge inflow of hot money helped boost the British reserves to twenty billion dollars.

Fears of a confrontation between unions and government returned only a day after the Bank of England allowed the pound to float freely. From a high of 1.50 against the dollar, the pound slumped to a low of 1.71 in nervous holders dumped the currency.

Yesterday's closing level of 1.6295-60.

The story of the gold fluctuations is that after months of 

Pressure

on London, Sharpes Pixels and other gold prices could rise if the dollar continues to be under pressure, but caution that there could be sharp sell-offs if it shows signs of improvement.

The United States Treasury reported that gold imports rose to over 1.5 million ounces in September. Gold imports for the first nine months of 1977 were a total of 8.6 million ounces - more than double the gold bought into the United States during all of 1976.

The import totals include 560,000 ounces withdrawn from foreign government accounts at the New York Federal Reserve Bank.

Sharpes Pixels notes that at the end of October New York Commodity exchange warehouse stocks, rose from 585,110 ounces to 911,640 ounces.

"We have been relieved to some operators who were very long of the New York Comex December contract would be taking up delivery on maturity. "We would expect to see stocks increase further thus preventing any major square," say the bullion brokers."
As gold fevers hit US
Krugerrand sales soar

SUNDAY TIMES BUSINESS TIMES November 6, 1977
By JIM SRODES

US stampede pushes gold towards $175
SOUTH AFRICA'S gold and foreign assets dropped by R18 400 000 last month and stood at R683-million on October 31, according to the monthly statement by the Reserve Bank.

The gold holding remained practically unchanged at R296 300 000.

Foreign bills increased from R38 700 000 to R81 700 000.

Foreign investments increased from R20 700 000 to R29 900 000, but other foreign assets dropped from R334 700 000 to R253 200 000.

Government deposits dropped from R62 100 000 to R68 600 000 and deposits by provincial administrations from R7 300 000 to R8 600 000.

Notes in circulation dropped from R1 293 000 000 to R1 192 300 000.

The ratio of gold reserves to liabilities to the public less foreign assets stood at 19.8% on October 31, compared with 19.4% on September 30. — Supa.
Gold outlook favourable, but don't bank on it, says Standard

Financial Reporter

THE outlook for the gold price next year is favourable — but South Africa should avoid major policy changes based on this assumption. This is the view of Standard Bank in an analysis of the gold situation.

Standard says: "The present strong investment demand for gold stems from the weak economic performance of the world major economies, expected higher rates of inflation following promised inflationary actions by major countries, and the decline of the United States dollar in foreign exchange markets."

"Economic uncertainty has eroded investor confidence in non-gold assets, as exemplified by the weakness of securities markets in the United States and elsewhere." Much of the incremental gold investment demand has arisen for the first time in the United States and has been characterised by a strong speculative interest in the future markets.

"The open interest, for December, 1977, on the two major American exchanges has reached an unprecedented volume of more than 25,000 contracts (or 2,300,000 oz) and there are strong suggestions that physical delivery is required on many of these contracts."

"The covering of short positions by future traders has sparked off some of the gold buying in the United States."

"Standard says: "From the South African policymakers' point of view this incremental investment demand for gold must be treated with caution, since it is often temporary in nature and the current buying pressure on the gold market may be expected to abate in the short-term, with moderating effects on the gold price."

"Looking slightly further ahead it appears that under present conditions of uncertain world economic growth, prospects for rising inflation and greater political instability, investment demand for gold will play a stronger role in the market for some time to come."

"These economic and political factors that influence the 'monetary' (investment) demand for gold have been summarised as the 'world anxiety coefficient'. At this stage of the world business cycle general confidence is, somewhat uncharacteristically, at a very low ebb."

"Growth rates are targeted...
Gold surges as currency fears persist.

BY NIEL BEHRMANN

LONDON — The gold price rose to $187.50 an ounce at the second fixing in London yesterday. The morning fixing was $185.00 compared with Tuesday's second fixing of $184.25.

The Gold opened lower on French and German markets in Zurich last night and fell to $184.50, closing at $184.00.

In Frankfurt, it was $187.50, up $2.50, and in Paris it opened at 1,660 francs.

Gold opened was higher in Zurich and Frankfurt.

In London it slipped against the dollar, opening at $1,089, up $1.75 from $1,087.25.

Confidential sources in Saudi Arabia today said that the kingdom's gold reserves have increased by nearly $1 billion. At the end of the year, the kingdom's gold reserves were valued at $4.5 billion.

The London bullion market has seen reports of a change in Arab countries' gold reserves, which some Western banks have been following closely. The dollar was seen strengthening and weakening against the sterling.

Concerns about the dollar have prompted investors to look for alternatives.

According to Euromoney, sources in Saudi Arabia maintain that authorities are conducting a review of their investment strategy and are interested in diversifying their gold reserves away from the dollar.

The magazine says that sterling investments are considered to be a serious alternative to deposits at American banks or United States Treasury bonds or notes.

Saudi Arabia is believed to be holding more heavily invested in gold than other oil surplus countries, and it is the only one which can be compared with the war in which the dollar has fallen.

A Dubai-based Arab magazine suggests that Saudi Arabia will be keen to ask for part of the dollar's reserves to be repatriated into the kingdom.

A London bullion market executive said reports of a change in Arab countries' gold reserves, which some Western banks have been following closely, have been taken for granted. The dollar was seen strengthening against the yen and weakening against the sterling.

The dollar's decline against the yen and the pound has prompted investors to look for alternatives.

Concerns about the dollar have prompted investors to look for alternatives.

Developments will be closely watched in the oil markets. The dollar fell against the yen in the Tokyo market, before recovering to close near levels.

In Washington, the Federal Reserve Bank's chairman, Dr. Arthur Burns, told the Senate Banking Committee that the objective of the Carter administration and the Federal Reserve was to achieve a better price performance, but this was not being helped by the recent depreciation of the dollar against foreign currencies.
DOUBLING OF U.S. DEMAND FOR GOLD FORECAST

The Argus Correspondent

JOHANNESBURG.—An increased American demand for gold is forecast by a leading American financier, Mr. Herbert J. Coyne, executive vice president of J. Aron and Company.

He told a Johannesburg investment conference a new gold consciousness was emerging in the United States — a rising awareness of the metal's role as a store of value and a hedge medium.

He predicted U.S. investor demand for bullion and gold coins would double by 1980 from its expected 1977 level of 4.6 million ounces.

This would be equivalent to a nearly 10 percent increase in world demand for gold, which would have significant implications for the gold price.

Statistics indicated that a 10 percent rise in demand would increase the gold price by 15 percent.

GOLD STANDARD

Meanwhile, Senator Barry Goldwater, a former Republican presidential candidate, is urging a return to the gold standard to improve international financial stability, Sapa-Reuters reports from Washington.

The world has a long way to go before it learns to manage its money without gold," he says in a speech to be delivered to New Orleans to the National Committee for Monetary Reform.

Senator O P F Howland, the Minister of Finance, is to speak at the same meeting.

Senator Goldwater says a return to gold is not fanciful.

"The gold standard was not created by international agreement. It grew spontaneously and could do so again — perhaps in the European Economic Community.

A new law which allows payment by gold in contracts might help bring back the gold standard.

This is a logical extension of the right to own gold and marks another important step toward a sound dollar, free of inflation. It actually establishes the means of creating a private gold standard.

He does not expect much immediate use of the gold clause in contracts, but hopes its use will grow."
Shift into gold
Arab cash leads

LONDON - Sharp fluctuations of sterling and
Economic Earnings

Transfer of Funds

WEP GOUD RUIL

ONS KAN
Ons verloor eintlik

Deur VIC DE KLERK

DIE sterk neiging van die goudprys beteken nog nie veel vir Suid-Afrika in terme van sy handel met die res van die wereld nie. Dit is 'n registreerse gevolg van die swak dollar en die goudprys staan in werklikheid nou in terme van die sterker geleendedie op 'n heelwat laer vlak as agt maande gelede.

Hierdie rutineterminologie van Suid-Afrika het ook die afgelope vierdoktor versek met die taamlik sterk dalings van die goudprys.

Die hoë randinkomme wat vir goud ontvang word, het wel nog 'n gunstige uitwerking op die inkomste van die mine. Maar die buitelandse-valuta-vaardigheid daarvan is nou vir Suid-Afrika laer as die styg van sy invoerkoek se van die lande met sterker geleendede.

Hierdie verskynsel verklaar ook algemeenlik waarom ons goudaandele selfs met die hoë goudprys nog nie nuwe aantreklikheid vir buitelandse beleggers het nie. Omdat die rand aan die oewer toe is, het dit 'n swak geleendedie en ontmoeid dit nuwe belegging in die geleendedie.

Hierdie verklaar ook deels die dalings in die waarde van die randsby die negatiewe uitwerking van die 6,25 miljoen ons goud wat nou deur die IMF aan sekere lidlande teruggegee is, kan neutraliseer. Die kans is baie goeie dat 'n groot deel van hierdie goud oor die kort termyn op die mark aangebied sal word.

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WANNEER die waarde van die wêreld se grootste geldeenhed voordurend daal soos wat nou die geval is met die dollar, ontstaan daar verskeie verrekeningsprobleme — om nie eens te praat van die daling in die waarde van groot hoeveelhede geld nie.

Dit is dan wanneer geld nie meer twee van sy basiese funksies, naamlik 'n verrekeningseenheid en 'n stoorplek van waarde kan vervul nie.

In die berig hiernaas het ons getoon hoe min die jongste styging in die goudprys nou werklik beteken teenoor ander geldeenhede.

Intussen wag die wêreld op die nuwe olieprys wat moet styg om die produusente van hierdie produk te beskerm. Die goudprys styg darem nog, maar die olieprys bly konstant.

In die ou dae kon hierdie probleem nog reg gestel word deur goud as waardemeter te gebruik, maar dit is nou baie onprakties.

Die nuwe denkering van 'n mandjie geldeenhede bied vir die toekoms seker die beste antwoord. Die waarde van hierdie mandjie kan dan ook gebruik word as grondslag van verrekening. Die goud- en olieprys kan byvoorbeeld daarin gekwoteer word.

En dan moet 'n klein land soos Suid-Afrika een stap verder gaan en ook sy geldeenhed daaraan koppel.
JOHANNESBURG — Gold shares were firmer on the Stock Exchange reflecting bullion advances, dealers said. Trading was thin with interest mostly on local account, although there was some overseas interest. Shortly before the close the

Asbestos shares were at previous levels.

The industrial market was mixed with a slightly easier bias. The Reuters S.A. industrial average was 279,6 (280,0). Leading equities were unchanged to a fraction lower.

By the close 234 individual shares had traded with 75 higher and 52 lower. Securities rand was unquoted. — (Sapa.)

Hollard Street report

Reuters S.A. gold average was 206,4 compared with 201,9 yesterday. Gains ranged up to 125 cents in heavyweights while mediums and smaller priced shares were up to 25c harder.

Financial ninings were quietly firmer in line with producers. Anglo gained 11 cents to 473 while Gold Fields gained 10 cents to 1,630. Elsewhere, De Beers changed at 533 cents (528).

Metal markets were higher in line with the gold sector. Gains outnumbered losses by 2.5 to one. Copper were up to 15 cents higher while platinum shares were around five cents up.
Gold value heads for quarterly high

By HOWARD TREASSE
Financial Editor

The value of gold production in the last three months of this year seems certain to be the highest quarterly total ever for South Africa.

The present record is the 1974-million ounces achieved in the last quarter of that year. The gold price was at a higher average then — it touched its peak of $197.50 at the end of December that year — and production was greater.

But there will be a higher value for gold output in the fourth quarter of 1977, in real terms, because of the change in the rand-dollar exchange rates during the two periods.

Gold production last month was 1.02 million ounces. The average daily price was about $170.

At the present exchange rate of 9.141 equals $1, the rand price of gold was averaging about R373.12 last month.

That gives a value for gold output in October of around R313 million.

For November, it seems likely, the gold price has been rising, but at a higher average level than in October, in spite of the setback in the post last month.

At the moment, it would probably seem reasonable to project an average price of $180 for November and December.

But even an average of $150.

In November and December last year, gold output totalled 3.009 million ounces. In the 12 months to October this year it was 18.794 million, as compared with 19.800 million in the 1976 equivalent.

It is possible, therefore, that output in the last two months of this year will continue to reflect a totally declining trend.

Any reduction should be small, however, and it seems probable, in the absence of special circumstances, that output for November and December this year will be around 3.000 million.

Thus, assuming an average gold price for these months of not more than $170, that would give a value for gold output of about R514 million for November and December.

Add that to the approximate value of R252 million for October and that would give a total for the last quarter of 1977 of R766 million.

That is R21 million more than in the last quarter of 1974. It can be seen, therefore, that it would take some extraordinary upsurge in the gold price and in gold production for there not to be a record level this quarter of course, there is one drawback as far as overseas investors are concerned.

In 1974 they were receiving dividends which were equivalent to 41.41 equals R1, now it is down to 31.13 equals R1. That means that dividends used to be more than 30% higher than in the same time three years ago for United States investors, for example, to get the same payment in dollars.
Gold rallies as dollar slumps

LONDON. — The gold price rallied yesterday as the dollar slumped to record lows. Gold was fixed in London at $159.30 in the afternoon and at $159.50 in the morning. Tuesday's second fixing was $158.15. In early afternoon trading yesterday, gold rose to $159 and $180.50.

There was good buying interest in an active market.

In post-fix trading the price firmed to $159.25/75.

In Zurich gold finished at $159.55/60, up $2.25 from the opening and $3.25 up on Tuesday's close.

Heavy speculative sales of recent days seem to be over and industrial demand is strong at these levels while producer selling policy remains reserved.

Dealers in Zurich said the lower dollar might also have helped the gold price. But this was basically an investment consideration and investors who suffered from gold's earlier sharp falls were still hesitant about returning to the market.

The dollar dropped to a record low yesterday, going beneath 240 yen. In Frankfurt the West German central bank made an unprecedented effort to prop up the weakening dollar.

The Bundesbank bought $166 million—a large intervention, far surpassing Tuesday's purchase of $39 million which was the biggest dollar purchase this year by the bank.

Some dealers thought yesterday's dollar buying was the largest since the start of floating exchange rates about four years ago.

The dollar was fixed in Frankfurt at 2,2372 marks, but after the intervention, it fell to 2,2266 marks.
By Jeremy Woods

Hitting Peak Levels

Krugerrands demand

Gold board confident after hesitant start

JOHANNESBURG — The gold board opened hesitantly yesterday, but gained confidence when it became clear the gold price was in for another jump. It appears a price below $160 brings renewed demand for the metal both for industrial and currency hedge reasons.

However, the gold equity market tends to lag behind metal movements these days because of the volatility of gold. Hollard Street prices did not respond as well as London because of the firmer securities rand.

New York will only get into full swing overnight, as most Americans took a long weekend break after Thursday's Thanksgiving holiday.

New York wagered Hollard Street's tail these days, and an indication of a follow-up on the sharp gold price rise and the record trade deficit must come from Wall Street.

Among non-gold metals, tins featured strongly as the tin price climbed. The asbestos counters turned bullish again, but antimony remained out of favour.

Diamonds were slightly firmer but off the top, setting the dull pace for the rest of the market.

In London, Government stocks remained around Friday's closing levels after small opening gains had been erased on lack of interest, while leading industrials were occasionally a penny or so off the bottom of heap buying after a generally easier tendency, dealers added.

At 3 pm the FT Index was down 2.4 at 485.6, — DDL.

A. Various sources of loan finance

Domestic (1) Public debt commissioners
   - kind of financial institutions
   - main holders of long-term
   - function

(2) Other holders of long-term
   - insurance companies
   - other private financial institutions (non-banking)

(3) The Banking Sector:
   (a) Commercial banks — government stock at
       legal minimum reserve requirement.
   (b) Reserve Bank — hold approx. 2% government stock
       keep deposits of government/ stabilization account.

(4) Loan levies — the tax paying public.

Foreign (5) Overseas capital markets.

(Addendum: Some description of the workings of the captive market and methods of obtaining loan finance by certain public organisations.)

B. Major types of government accounts

(1) Revenue
(2) Loan
(3) Exchequer ( = Revenue plus Loan plus SWA plus Bantu Education)
Golds sweeten music on Hollard Street

JOHANNESBURG — Gold buffs regained confidence yesterday, prompted by extremely bullish comments about the metal's prospects from Russia's Narodny Bank.

The assurance that Russia will not rock the boat, the banks expectations of higher prices for metals and minerals against an old fashioned dollar crisis, added up to sweet music for Hollard Street.

The small rise in the gold price naturally helped gold equities, but the day's minor movement and an easing of United States futures show something is holding the metal back at the moment.

The New York Comex spot month contract opened at $159.90-$160 against London's afternoon fix of R160.05 and most quoted contracts were a little lower.

The Securities Rand rate of 76 United States cents was an inhibiting factor in Johannesburg for gold equities.

Nevertheless, a favourite such as West Drie scored a gain of 75c.

Expectations of good dividend payments by gold producers to be announced this week, may also have spurred interest.

De Beers was a feature moving up strongly on news of expansions and prospecting in South West Africa.

The advance in platinumums appeared to peter out and the rest of the metals were dull. Palamin continued on its slide in coppers, however.

Anglo featured with a good rise in firmer mining financials. Industrialis looked a little brighter as most leaders put on a few cents. Otis rose to another high on the special dividend announcement.

De Beers firmed 9c to 553c, a rise equivalent to R32 400 000. Anamint gained another 25c.

Palamin shed 25c to 725c while Messina eased 15c in coppers and Samanco remained on the downtrend in manganese, losing 5c.

The antimony and asbestos counters were static. Randfontein, Builfeis and Harties gained in the 25c to 35c range while Fregins settled 55c up from the last bid price.

In Salisbury, a wide variety of shares changed hands yesterday with the undertone remaining firm. — DDC-SAPA-RNS.

B. Major types of government accounts

(1) Revenue
(2) Loan
(3) Exchequer (= Revenue plus Loan plus SWA plus Bantu Education)
Gold quiet, firm

LONDON. — The price of gold rose to $160.35 at the second fixing in London yesterday after being fixed at $159.50 in the morning. Tuesday's second fixing was $159.30.

The market continues quiet as a reaction to the busy trading of recent weeks and because the immediate trend remains uncertain.

The market is slightly apprehensive about taking long positions because operators were unnerved by the heavy selling which followed the rise to $156 earlier this month.

Operators do not wish to take long positions in gold because they fear further bouts of selling if the price moves up again.

The underlying factors for gold are still bullish. There is little prospect of increased Soviet sales to finance the harvest shortfall as the Soviets with their planned sales policy will have accounted for this contingency.

Political uncertainty in the Middle East and South Africa will also continue to give some underlying strength to gold, say dealers.

In New York, the Federal Reserve Board chairman, Dr. Arthur Burns, said yesterday that the recent slide in the dollar's value against major currencies was troublesome and caused him no satisfaction.

He believed the dollar was basically a strong currency. The dollar was used as a store of value by central banks and countries everywhere.

The Federal Reserve had intervened in foreign exchange market consistently, but only to smooth market performance.

Intervention was not geared to support the basic level of the market.

Moscow Narodny Bank says new net losses by the dollar against strong currencies in the next three months and a wholesale loss of confidence leading to an old-style dollar crisis later in the year cannot be ruled out.

The Soviet bank's autumn quarterly review says a return to the market conditions of the early 1970s would again produce domestic distortions in countries receiving dollar inflows and could set off a spiral in precious metals and certain other commodity prices.

The real risk of an international monetary crisis over the next year exists if the United States continues to expand the monetary aggregates, and the current account deficit follows a number of bearish forecasts that have emerged.

Technical considerations may give some support to the dollar up to the end of the year. It predicts higher short-term United States interest rates over the next three months.
IMF gold auction averages $160.03

WASHINGTON — The International Monetary Fund said bidders at yesterday's latest gold sale for the benefit of the world's poorer nations would pay an average price of 160.03 dollars an ounce for the 524,800 ounces auctioned. The auction raised 82m dollars for the IMF's trust fund, bringing to 964m dollars the amount of money raised so far through the auctions.

Bids totaling 1,115m ounces for the 524,800 ounces offered were received. This compares with 1,255m ounces at the November auction where the price fetched was 161.98 dollars.

The monetary agency plans to auction off 25m ounces of gold over four years. The latest auction was held under the common price, or "Dutch auction" system where every successful bidder pays the lowest acceptable price.

The IMF was reverting to such a system for the first time in six months. During the six months the successful bidders paid the actual price bid.

The IMF said the prices offered by the successful bidders ranged from the common price to 165 dollars an ounce, with the average price working out to 160.03 dollars. The price was only slightly higher than the 160 dollars London analysts had expected. The afternoon fixing price on the London gold exchange was 160.30 dollars.

Under the normal IMF schedule, the next auction will be held on January 4. — Sapar Reuter.
Hollard Street loses bounce as golds fall

JOHANNESBURG — Hollard Street lost its bounce yesterday — mainly because of the sharp fall in the gold price and partially on the usual rundown in trade at the end of the week.

The gold board sagged with higher priced shares showing losses of up to 50c and marginals declining in the 10c to 15c range.

The WR Cons dividend was a nasty shock for some trusting shareholders and the counter changed 50c over the week.

The other nasty-shock was Cons Murray, the antimony counter, which came off 100c at one stage on disappointment over its dividend, but recovered to cut the loss to 65c. This left shareholders 30c up on the week.

Those with burnt fingers have themselves to blame as reports of poor prospects for antimony have run on business pages for some time.

Apart from these unpleasant isolated instances, prospects for the rest of the market appear set fair.

Overseas bullion dealers remain optimistic about a long term up trend in gold. Various reasons were given for yesterday's sharp fall — the upturn in the dollar, disappointment over the auction price and Portuguese selling of gold.

In spite of yesterday's setback gold counters made substantial advances over the week, Randfontein having gained 523c.

Mining financials shaped well with gains of up to 140c for heavyweights and up to 25c for lower priced counters.

Institutional buying left industrial financials, insurances, banks, chemicals, foods, papers, engineering, sugars and tobaccos (on results) looking much healthier.

In London, Government bonds were actively firmer, showing gains of up to ¼ point, dealers said.

There was heavy demand for the long 'tap' stock treasury 10 per cent 1992, which became exhausted. At the same time a new loan of 900 million sterling was announced by the Bank of England, which dealers said had been widely expected.

Equities finished narrowly higher, but at 15h00 the FT Index was down 0.3 at 484.9.

Gold shares eased in line with lower bullion fixing.

Heavyweight producers lost as much as 1½ point while lower priced issues eased up to 25 cents. Financials eased in sympathy losing up 20p.

In Salisbury, trading on the Rhodesian Stock Exch, change was at a slightly reduced level yesterday, but the recent firm undertone was well maintained.
UK brokers see gold at $215 by end of 1978

John Cavill

LONDON — Investment and speculative buying of gold may almost treble to 300 tons in 1978, driving the price to 215 dollars an ounce by the end of that year, with an average of 187 dollars.

This is the conclusion of London stockbrokers L. Messel and Company in their latest “Gold Review.”

In their last review, published in January, when the bullion price was in the low 150 dollars range, Messel predicted a strong improvement to produce a 1977 average of about 180 dollars and a year-end price of 170 dollars.

Messel’s estimates for demand in 1977 put jewellery at 300 tons (down from 336 tons); coins at 175 tons (219 tons) manufacturing at 215 tons (206 tons); and investment/speculative net buying at 108 tons — 18 percent up on 1976’s 89 tons.

HOARDERS

In 1978 they estimate investment demand will rise to 300 tons with speculators and hoarders putting in 1900 m dollars. This compares with 2654m dollars ($1.900m) in the boom year of 1974 — but which would equal more than 4 000m dollars in constant 1974 dollar terms:

“We are looking for a speculative commitment that is very much higher than in the past three years and we think is justified by current conditions,” says the review.

The weakness in the dollar, Middle East tension, unrest in South Africa, and expectations of inflation in the “lead” economies were the main factors in the resurgence of speculative investment demand in the last nine months.

“None of these is, of course, new, but what is interesting is that the dollar and general currency unrest, important in 1972 and 1973, have regained their position as the leading bullish issue for gold.

“We think the dollar and the Middle East are currently the two most influential factors but believe that inflation may well recapture its old lead as 1978 develops.”

High unemployment is in danger of becoming entrenched and pressure on politicians to bring it down is growing. In the US President Carter has already announced he intends to cut taxes by 20 000m in 1978.

ANXIETY

And while inflation in the “Big Seven” economies is averaging a modest 7.8 percent in terms of the 1974 13.14 percent, any economic stimulation carries the severe danger of pushing the rate into double figures again quite rapidly.

The Arab oil producers have already voiced anxiety about the dollar — Kuwait, for example dismissing pricing of oil in Special Drawing Rights — and while official purchases of gold by them have not been detected, over the last few months substantial private purchases have been noted.
LONDON. — The price of gold was steady in London yesterday. It was fixed at $159.30 in the afternoon and at $158.50 in the morning.

Trading was quiet yesterday morning when light investment selling in a thin market depressed the price. Liquidation stemmed from a belief that some arrangement to steady the dollar might emerge from the meeting of central bankers in Basle yesterday and today.

Trading continued quiet in the afternoon. Light buying brought a recovery.

The dollar opened lower on European markets yesterday. In Frankfurt, the dollar — still below the psychological 2.30 — dropped from 2.1960 marks to 2.1855. In Zurich it went from 2.1380 francs to 2.1312, and in Amsterdam it dropped from 2.9606 guilders to 2.9518. In Paris, the dollar fell from 4,8355 to 4,8340 and in Brussels it fell from 54.575 francs to 54.40.

The pound rose, going from $1.83 to $1.8325 in London.

Dealers reported moderate forward activity in sterling, with dollar discounts widening. Most other forward activity was quiet, but French franc forward discounts widened.

The yen traded around 242.40/$s to the dollar compared with 242.50/60s previously.

Central bankers in Basle are discussing ways to calm world money markets following the dollar’s decline. At the regular monthly meeting of the Bank for International Settlements, the bankers are considering long-term possibilities of steadying the dollar on foreign exchange markets, but they are unlikely to take any major decisions.

The dollar has lost about 12% against the Swiss franc and 7% against the mark since last summer.

In Tokyo, the Foreign Minister, Mr Suma Sonoda, said Japan’s proposed eight-point package of economic measures to reduce its trade surplus with the United States was the best that could be offered.

But he indicated that Japan was pessimistic about immediate United States acceptance of the proposals, which the new Minister for External Economic Relations, Mr Nobushiko Usuiha, flew to the United States to explain. — Reuter.
Krugerrands — portable gold

With clouds still hanging over some major economies, gold remains a haven for the nervous. Hence, overseas sales of ordinary Krugerrands are booming again. After a poor start during the first half of this year, when only 970,000 were sold, exports for the whole year look certain to top 3m. That’s still only two-thirds of the 4.5m Krugerrands exported in 1975, the year Britain banned their importation, but it’s about 15% of SA’s total gold production this year.

Meanwhile, there’s still much ignorance in SA about Krugerrands. To answer the regular flow of enquiries we receive, we’re setting out the whole picture — what Krugerrands are, how to assess their quality and value, whom to buy from, etc. If you didn’t give one as a present this Christmas, perhaps you will next year . . . now that you know more about them.

Roman and Byzantine emperors did it, European monarchs, for their realms’ sake, did it. Even President Paul Kruger did it. All made gold into coins.

Gold coins are still being struck in SA. But the R2 and R1 pieces are not widely known. First minted in 1961 as successors to SA’s gold sovereigns and half-sovereigns, they are of interest mainly to numismatists. Last year, the Mint produced only 84,000.

Krugerrands, however, are a very different story. Since they were introduced 10 years ago, millions have been struck for distribution overseas as well as in SA. People collect them for different reasons — for their intrinsic beauty, to add to their coin collections, or because they think their savings are best protected against inflation if they are turned into gold.

There’s yet another reason. A small proportion of the millions of Krugerrands produced each year are of unusually high minting, or manufacturing, quality. That gives them a considerably higher value, because of their rarity, than the gold they contain. Many people collect these Proof Krugerrands, as they’re called, because they expect their value to increase faster, and more surely, than that of gold itself.

But what exactly is a Krugerrand? Well, it’s a gold coin that doesn’t have a value stamped on it, as all other South African coins do. Instead, it states that it contains one troy ounce of fine gold. That doesn’t mean that it contains absolutely pure, or 24 carat, gold. If it did, it would be too soft to stand up to much handling. So it’s only 22 carat gold. That means that one-twelfth of its weight is metal alloy. What’s left is one...
troy ounce of pure gold.

On the obverse is a head of Paul Kruger with the words, "Suid Afrika, South Africa." The master die is that used for the silver half-crowns minted in Kruger's own time.

On the reverse is a springbok designed by Coert Steynberg. Above it is the word Krugerrand, on either side is the date (just the year) and below it, in English and Afrikaans, the words, "One ounce fine gold."

The coin's diameter is just under 35mm, about the same size as the coin from which Kruger's head was copied. The edge has 160 cut marks or millings around it. This year's Proof Krugerrands, however, have 220 — to give them a more pleasing appearance, according to the Mint's director, Koos Groeneveld.

It's an improvement that would escape most people. But the difference between ordinary, or uncirculated, Krugerrands, and Proof Krugerrands is usually obvious to most people. It would certainly be felt in their pockets, since some Proof Krugerrands sell for several thousand rands against the R180 or so currently being asked by owners of uncirculated Krugerrands. With gold at $160, your bank, on the rare occasions it has them available, will sell you a Krugerrand for R160, a 15% premium on the value of the pure gold content.

UNCAS AND PROOFS
A striking difference

The Mint produces millions of uncirculated Krugerrands each year, but it has limited itself to minting no more than 10 000 Proof Krugerrands. In fact, it sometimes produces less than 10 000 Proof Krugerrands in a year. This year, for example, it is minting only 8 000 or so.

Why such small numbers? Mainly because the Mint takes great care in producing them, since they're intended to be collectors' pieces. There's no time to produce more than 10 000. After all, the Mint's also busy minting proofs for collectors of all its other coins.

What, then, is the physical difference between ordinary, or uncirculated, Krugerrands and Proof Krugerrands?

The main one is that the Proofs have very shiny backgrounds, like mirrors, while their designs (Paul Kruger's head, the springbok and all the lettering) are frosted, or milky-looking. Uncirculated Krugerrands have the same rather dull, unpolished surface all over.

Getting that shiny background and frosted design takes time. Uncirculated Krugerrands are rapidly stamped out at the rate of 30 000 a day — one hundred times more than the number of Proof Krugerrands.

Visit the Mint, and you'll immediately see why Proof Krugerrands take so long to produce. First, the dies from which they are struck have to be shot-blasted to get the frosted look on the raised designs. Then the backgrounds of the dies are polished with diamond paste to get that mirror-like look on the coin itself. The round gold blanks from which the coins are made are also specially prepared.

Now comes the striking. The blank is placed by hand in a round hole at the bottom of which is the die for one of the sides, facing upwards. Down comes the other die in a 360° press. Up and down it goes, quite rapidly, until the designs for both sides have been pressed simultaneously into the blank three times.

Until it acquired a machine in 1975 to do multiple striking, the Mint could strike Proof Krugerrands only once, like uncirculated Krugerrands. But it's more difficult to get a perfectly defined image with only one striking, says Groeneveld. That's partly why the minting quality of Proof Krugerrands has improved in recent years.

Another reason is that the Mint has also been steadily improving its facilities for striking Proof coins. Dust is fatal to high quality minting. So, in recent years, the three people producing Proof Krugerrands have worked in an air-filtered...
enclosure. Before each coin is struck, a jet of filtered air is aimed at the blank to blow away any dust.

The dies are treated with equal care. After striking two coins, they are cleaned. After striking 50, they are repolished, and after about 1,000, they are discarded. One hundred times more uncirculated Krugerrands are struck from each pair of dies — but then, they are being sold purely for the value of the gold they contain, not for any numismatic quality.

Naturally, with all this care, Proof Krugerrands are never handled without gloves at the Mint, except around the rims. Getting finger prints off the faces could ruin them.

Having been taken off the lower dies, they are inspected through a magnifying glass. If they pass muster, they are placed in a single layer between sheets of flannelette. Later they are placed individually in the Mint’s monogrammed and velvet-lined presentation cases. And that, should you be so lucky, is how you’ll receive one.

PURCHASING PROBLEMS
Profits for possessors

Last year, the Mint struck almost 3mn uncirculated Krugerrands. It also struck about 6,500 Proof Krugerrands. But the chances of your being able to buy one of either kind, Mint-fresh, would have been pretty small.

Uncirculated Krugerrands are produced mainly for sale overseas by Intergold, an associate company of the Chamber of Mines, to help pay for our imports. Only 2,000 a week, or about 100,000 a year, may be sold as new in SA.

It’s even worse for Proof Krugerrands. To get one straight from the Mint, you have to be on its list of proof coin collectors. Though the list has been allowed to grow by about 10% a year as the Mint’s capacity to knuckle proof coins increases, it’s only very recently that the Mint managed to wipe out the waiting list.

It remains to be seen whether the Mint will allow many more people onto its list, currently numbering 10,000. The problem is that the Mint doesn’t know how many proof coins of the various denominations they will each order. As it is, it rationed them. But rather than not being able to meet any-orders, it prefers to let its list grow comparatively slowly. That’s why in most recent years it has struck far less than its permitted maximum of 10,000 Proof Krugerrands. Not everyone on its list wants to buy them.

But supposing your application to the Mint to be on its list of coin collectors is successful — can you order anything other than Proof Krugerrands? Most certainly, says Groenewald. But no one is allowed more than one a year.

This year, you would have paid the Mint R200 for it. That’s a far cry from the R31 charged in 1967. But the price of gold is four times what it was then, and minting costs have also risen.

At R200, in fact, you’ve got yourself a real bargain. To get an uncirculated Krugerrand, you must apply to your bank. Only 2,000 a week are being shared out between the banks, remember, so your chances of getting one are slim. But if you do, it will currently cost you about R160. Its price is based directly on that of gold — it will cost you 15% more, in fact, than an ounce of gold.

It’s generally, though, a far less well-produced coin than a Proof Krugerrand, though this year’s uncirculated Krugerrands are very good indeed. The extra R40 you’ve paid the Mint for your Proof Krugerrand could provide you with an immediate profit of R300 or more if you sell the coin on the open market.

The same is true, incidentally, though less dramatically, of uncirculated Krugerrands. If you get one from a bank, you can at present sell it immediately for a net profit of about R12.

But let’s assume you’re going to buy Krugerrands on the open market. In doing so, you’re obviously going to be careful what price you pay. You’ll also be concerned about the quality of any Proof Krugerrands you’re thinking of buying (quality is far less important to uncirculated Krugerrands since you’re essentially buying gold at a premium, believing the gold price will increase).

Quality is vitally important to the price you should pay or receive for any Proof Krugerrand. Though the Mint applies strict manufacturing and quality controls to these, there are still important minting differences between them, even between

SAGE chairman Levine... catalogue prices are only an indication

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coins struck during the same year.

Previous owners may have increased these differences by damaging the coin. It
needs patience and a sharp eye to
reduce the coin’s value considerably.

The upshot of all this is that the values
of two Proof Krugerrands minted in the
same year may differ by hundreds of
rand. How are you, a newcomer to the
game, going to know the quality of what
you’re buying, let alone its current true
market value? How, indeed, can you be
certain it is a Proof Krugerrand?

MOVE IN CAUTIOUSLY
Points for the wary

SA Gold Coin Exchange (Pty), which
has branches throughout the country,
employs its own experts to assess the
quality of Proof Krugerrands handled to
it. The company’s fee for this is R20 —
or R30 if you’re in a hurry.

So far, reckons chairman Eli Levine,
only 10% of all Proof Krugerrands have
gone through his assessment. That, if
true, suggests that many people are buy-
ing and selling Proof Krugerrands with-
out really knowing what they’re dealing
in.

Clearly, it’s no good having a coin
evaluated unless you can prove the out-
come. That’s why SAGCE issues a cer-
tificate showing its assessment of the
coin. It seals this, together with the coin,
inside a transparent plastic container
that cannot be opened without obvious and
irreparable damage. That way, the coin
is protected from careless handling and
subsequent buyers from fraud.

SAGCE uses a points system to mea-
sure and indicate its evaluation. It works
rather like an IQ test. That is, the evalua-
tors start with a basic 100 points. They
deduct points for scratches and so on,
and add them for good backgrounds,
frostings and the like. But where a genius
scores something like 150 in an IQ test,
a really excellent coin scores only 108 or
109 points.

Suppose, now, you want to buy or sell
a Proof Krugerrand that’s been evaluated
and sealed in this way. Where’s the best
place to go?

You have three alternatives. First, you
can advertise in the Press. Or you can go
to a dealer. Or, finally, you can go to a
broker.

If you advertise or go to a dealer, you
face the problem of knowing what a fair,
or current market price is for your coin,
if you’re a seller. If you’re a buyer, con-
versely, how will you know how good a
Proof Krugerrand you should get for the
amount of money you’re prepared to
spend?

You can hardly rely on the dealer.
He’s buying and selling coins with only
one aim — to make as much profit as
possible. Brokers, however, make a living
by bringing buyers and sellers together.
There are two in Johannesburg, SAGCE
and Carlton Coins, and one in Cape
Town, the Cape Gold Coin Exchange
(Pty).

All three operate trading boards.
Would-be sellers indicate the year and
points rating of their Proof Krugerrands
and what they want for them. Alter-
natively, a buyer can indicate what he’s
prepared to pay for a Proof Krugerrand
of a given year and points rating. If a sale
is made, the seller pays the company a
commission. It is normally as high as
20% of the selling price, indicating
clearly that the brokers aren’t in business
just for their health either.

SAGCE offers a further sophistica-
tion. It draws up a list of catalogue prices
for each category of coin and indicates
how close to them asking prices are.
Those furthest below, in percentage
terms, are clearly the best bargains.

Catalogue prices aim, in other words,
to qualify asking prices and have to be
pitched well above what asking prices are
likely to be to fulfill that function. So
when you see in a catalogue that the
price of a certain Proof Krugerrand is so
much, don’t take it as the actual market
value. It’s merely based on past selling
prices, but is considerably higher.

RAREST IS BEST
But no guarantee

If you buy a Proof Krugerrand that
hasn’t been sealed, with an evaluation
certificate identifying it, in a transparent
plastic case, you run the risk, if you’re
not an expert, of paying a Proof price for
an uncirculated Krugerrand.

It’s not, after all, only Proofs that have
frosted designs. In 1967, the first year the
Mint struck Krugerrands, it produced
only Proofs for sale in SA. Neither side
had any frosting.

Unfortunately, the Mint at the same
time produced Krugerrands of a lower
quality, with only slight frosting, for sale
overseas. Some have found their way
back to SA and are a trap for the
unwary. They are not Proofs.

Something similar happened in 1974.
Some of the Proofs minted in that year
were far from good. In particular, their
frosting was very light. Worse than that,
some uncirculated Proofs minted in the
same year actually had light frosting
too. That didn’t make them Proofs, or as
valuable. But some people could be
persuaded to buy them as Proofs.

In 1968, incidentally, there was a most
unusual minting of Proof Krugerrands.
The Mint began striking them with only
the Springbok side frosted. When it was
1 000 or less coins short of 10 000, it
changed the other side’s die for one that
had also been frosted.

The Mint has never produced less than
5 600 Proof Krugerrands a year, so those
1 000 or fewer 1968 Proof Krugerrands
frosted on both sides have great rarity
value. The best sell for several thousand
rand, though they cost only R35 each.

Clearly, the more rare a coin is, the
greater its value and chances of further
appreciation. Apart, though, from the
1968 “frosted”, no one knows which
Proof Krugerrands are the rarest. That’s
because no one knows how many Proofs
in any given year were struck to an
usually high quality, let alone have
retained that quality through careful
handling. Most Proof Krugerrands
simply haven’t gone through SAGCE’s,
or any similar, evaluation.

But what is of high quality must be
comparatively rare. The only sensible
advice, then, to anyone wanting to invest
in Proof Krugerrands is to buy the high-
est quality coins you can afford, don’t
scratch them, and store them safely.
GOLD TOPS 172 AS DOLLAR STILL SLIDES

By John Cavill, Financial Correspondent

LONDON. — Gold spurted a further 3.05 dollars in London today to 172.50 dollars as a continued torrent of selling drove the dollar down on European foreign exchanges.

Since the opening of the bullion markets for 1978 yesterday morning the gold price has risen 7.25 dollars.

Gold shares advanced strongly in both London and Johannesburg.

The dollar has continued sliding as President Carter's political gaffes during his current international tour compounded lack of confidence in the currency.

In the foreign exchange markets this morning the dollar fell a further 1.8 percent against the Swiss franc to a new low of 1.9057 francs and by 1.2 percent against the German mark, Japanese yen and British pound.

By lunchtime the dollar had fallen to 2.2040 marks and 237.00 yen and had reached 1.8980 (R1.73) to the pound.

TOO QUICKLY

Bullion dealers said that the buying was general and some feared the run on the dollar might take gold up too quickly before a sharp fall.

'We can't expect the dollar not to bottom out and rally, if only because there are a lot of profits to be taken,' one said.

For the time being the gold market is ignoring the warning by President Ramalho Eanes of Portugal that unless his country reduces its 'intolerable deficit' it would find credit harder to obtain or be forced to sell its gold reserves.

MORE FAITH

'The market has more faith in Portugal putting together a new government which will hit on the economic bullet than that it has in the dollar,' said one analyst.

On the London Stock Exchange, meanwhile, spectacular gains were seen in gold shares such as 

Share volume

JOHANNESBURG. — Shares traded on the Johannesburg Stock Exchange yesterday totalled 1,593,337, valued at R3,867,128 (588,329 shares valued at R1,793,179 on Friday).

Five most active stocks: Ergo, AECL, Groote, Santam and Old Mutual. — Sapa.

SAR surplus

SUGAR SURPLUS

THE South African Railways and Harbours had a surplus of R4.2-million in November. This follows a surplus of R3.1-million in October.

Sugar price


Rand today

THE rand today was worth:

- US dollars: 4.16
- British pounds: 5.14
- French francs: 4.94
- Swiss francs: 2.50
- German marks: 5.33
- Italian lire: 2.48
- Dutch guilders: 4.51
- Japanese yen: 275.90
- Norwegian krone: 13.54
- Belgian francs: 5.21

Quick reaction to dollar rescue bid

Gold falls, rand rises

Michael Chester, Financial Editor

Gold prices tumbled but the value of the rand bounced higher today in the swift chain reactions to moves by the Carter Administration to commit a huge R22 000-million to halt the plunge of the dollar.

The bullion price immediately dropped five dollars to 166.25 dollars an ounce on the key London market and took an even steeper dive to 166.00 dollars in Hong Kong.

However, the dollar gathered new strength on foreign exchange markets and carried the rand with it because of the link between the two currencies.

Barclays National Bank in Johannesburg reported: "There has been a tremendous turnabout to reverse the long dollar/rand decline over the past several months."

New exchange rates quoted by the bank this morning gave the rand gains of 4.5 percent against sterling compared with yesterday and an even bigger 5.2 percent against the Swiss franc.

The rand also advanced 2.8 percent against the West German mark and 2 percent against the Japanese yen.

A spokesman remarked: "They are possibly the biggest overnight changes we have seen for the rand, aside from devaluation or revaluation dramas."

Gains by the rand were in tandem with the dollar on main overseas markets. In the wake of the Washington moves to pull the US currency out of the doldrums.

However, if South Africa gains on the roundabouts with a stronger rand, it loses on the "wings" because of a new downward
WASHINGTON — The International Monetary Fund, said 19 bidders were successful at its gold auction on Wednesday when it sold 324,800 ounces at a common price of 171.26 dollars an ounce.

Among the successful bidders were ACLI INTL INC of New York, J Aron and Company Inc, also of New York, and Bank Leu of Zurich.

'Compagnie Luxembourgeoise de la Dresdner Bank, Dresdner Bank International of Luxembourg, Degussa, Dresdner Bank and Deutsche Bank, all of Frankfurt, also made acceptable offers.

The IMF said Dresdner Bank (South East Asia) of London, Johnson Matthey Bankers of London and Monex International of Newport Beach, Calif, were also among the successful bidders.

Among other awarded gold were Samuel Montague and Company of London, Phillip Bros Division of Engelhard Minerals and Comical Corporation and Republic National Bank, both of New York, and N M Rothschild and Sons of London.

Swiss Bank Corporation, Swiss Credit Bank and Union Bank of Switzerland, all of Zurich were also successful bidders.

Reuter
Gold price up again

The gold price today bounced back higher as doubts spread about the US dollar sustaining a climb on currency markets.

Michael Chester and Kevin Stocks

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The gold price today bounced back higher as doubts spread about the US dollar sustaining a climb on currency markets.

The price of gold in London today is up to $850 an ounce. The dollar has been rising sharply in recent weeks, raising the price of gold in dollar terms. However, doubts are now being expressed about the sustainability of the dollar's rise.

The rise of the dollar has been driven by expectations of interest rate hikes in the US, which strengthen the dollar relative to other currencies. However, some analysts now question whether the dollar's rise is sustainable, given the strong economy and low unemployment in the US.

The gold market is volatile andSensitive to news about the dollar. Any sign of a slowdown in the US economy could see the dollar weaken, putting pressure on the gold price. However, some investors see gold as a hedge against inflation and economic uncertainty, which could support the gold price even if the dollar rises.

In summary, the gold price today is higher due to doubts about the sustainability of the dollar's rise, but the market remains volatile and sensitive to news about the US economy and other factors. 

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Consequences

- The rise of the dollar will make imports more expensive, putting pressure on consumer prices and the economy.
- The rise of the dollar will make exports cheaper, giving a competitive advantage to US exporters.
- The rise of the dollar will make investments in US assets more attractive, potentially drawing capital away from other economies.
- The rise of the dollar will make the US dollar a safer currency, which could make it more attractive for international investors and stabilize the global financial system.

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See Page 16.
Gold rises, dollar takes slide

The Star Bureau
LONDON — Gold climbed back through the 170 dollars an ounce mark on the London bullion market yesterday as the joint American-German rescue plan ran out of steam.

The dollar fell against all the main currencies: to 2.1540 marks (2.1560 overnight) and 2.018 Swiss francs (from 2.04). And the pound rose, despite a cut in the Bank of England's minimum lending rate from 7 percent to 6.5 percent, reaching 1.9293 dollars (R1.67) from 1.8880 dollars (R1.64).

Bullion rose quickly from its overnight price of 168.125 dollars to 168.90 dollars yesterday morning, closing at 170.25/30. 

Pressure on the dollar mounted when the New York markets opened and the Dow Jones industrial average fell through the psychologically important 800 level in early trading. The Dow closed at 793.49, its lowest close since April 11, 1973.
Gold at 2½ yr high

By PAUL DOLD
Financial Editor

GOLD soared to over $173 in London yesterday reaching its highest levels since May 1975 as United States investors bought the metal.

At the close gold stood at $173.50 in London - the same as the morning fix - in spite of some profit-taking at the late fix which saw gold ease to $173.10.

The price was driven up at the outset by speculative demand and later United States buying but in the afternoon European selling led to the 40c fall at the late fix.

In London, gold shares firmed throughout the day and closed around the highs. European dealers told Reuters last night that they expected the metal to enter a short consolidation phase before resuming its upward trend.

The sharp recovery in the gold price since President Carter's support operation for the dollar led to the metal sliding is significant and has taken place in the face of a firmer dollar.

Yesterday the dollar opened slightly higher reflecting the higher interest rates although it eased somewhat during the day but still closed higher. For the moment currency markets have returned to normal.

Wall Street

Wall Street opened lower yet again yesterday and it is clear that many United States investors are hedging into gold fearing currency adjustments and a disturbed world trade pattern hand in hand with slower world economic growth.

Hot money seems to be eschewing the dollar with speculators taking an extremely cautious stance after US support, and these funds are now flowing into gold. Wall Street's malaise is also leading to US investors seeking more profitable investments.

United States Gold futures opened higher in active trading with the February contract on the New York Comex at $174.50-$174.80 and the IMM March contract at $176-$175.70.

Neil Behrmann in London writes: Chart analysis feels that gold is behaving well from a charting viewpoint following its sharp reaction when the dollar support operations were announced. But chart analysts say some consolidation is needed before the price moves to higher levels.

Some London stockbrokers are cautious and believe that the gold run is entering its last phase. This is unpredictable however, because American speculators could create wild swings in the market.

Stockbrokers Laing and Cruickshank believe that a technical top will be seen at $177 but some profit-taking is likely. But the brokers believe that the long-term trend is now increasingly positive and that "a target of $200 plus this year seems to be assured".

The $165 to $190 band which was seen in the 1974 bull market has been pierced and the brokers feel that US investors will take a keener interest in bullion.

Brokers report that the Swiss have been buying gold shares this week. From December 2 gold in dollars rose from 158.75 to 172 dollars on January 4 - just before the dollar support operation was announced. But it fell from 339 to 332 Swiss francs an ounce.

The current rise from $165.25 to $173.50 has been accompanied by an increase in Swiss francs from 340 to 349 - so Swiss currency holders are finding the metal more attractive.

Krugerrand. - Banks selling price R173.30 (169.42).

London. - Domestic buying £92.75 (92.00), selling £93.25 (92.50); non-resident: buying £178.75 (176.00), selling £179.25 (177.00). - Reuters

Golds firmer

Johannesburg. - Golds closed firmer in moderate trading following the higher gold fix.

Among heavyweights Randfontein gained 150c. However, West Holdings shed 15c. Both shares, gains were in the 10 to 35c range.

Financial returns were harder in line with producers. SGBA was up 100c. while Argo gold was 10c higher.
Gold helps out Anglovaal mines

Mercury Correspondent
JOHANNESBURG — The higher gold price which has ruled for most of the December quarter was sufficient to compensate for the lower gold production at Anglovaal's Hartbeestfontein mine and, in addition, make up for the lack of uranium profit.

The same factor was instrumental in boosting the performance of Lorraine and Eastern Transvaal Consolidated.

Harties, like the others, suffered from the seasonal decline in the labour force with the result that mill throughput was reduced. A small rise in grade nevertheless left gold production down at 8 235kg compared with 8 535kg in the September period.

However, revenue based on the figures produced and not on actual receipts, was sufficient to make up for the lower production and the working profit rose to R17 534 000 compared with R12 965 000. Sales of uranium oxide and pyrite resulted in a small loss of R163 000 compared with a profit of R2 318 000 previously but taxed profits were nevertheless higher at R9 403 000, against R8 037 000.

In development work, a total of 2 106m was sampled giving results of 1 614m g/t gold and 24 16g m/kg uranium.

Despite Lorraine's notorious cost problems which rank it as one of the highest cost producers, it was able to turn the September quarter's working loss of R702 000 into a profit of R106 000 in the December period, thanks to the higher gold price.

Suffering also from a reduced labour complement and a small decline in grade, gold output fell to 1 941kg against 2 028kg.

State assistance was trimmed to R689 000 from R1 266 000 which made up part of the net profit of R940 000 compared with R777 000 before final adjustments.

In development work, a total of 7 52m was sampled with a yield value of 1 152m g/t.

A breakdown at the new Consort mill caused a slight drop in production at ET Cons and despite a marginally higher grade mined at 6 5 g/t, gold production was lower at 5 33kg against 5 49kg.

Again the higher gold price came to the rescue and more than offset the lower production and higher costs with results that profits rose to R4 790 000 from R3 96 000.

Development results during the quarter were more in line with expectations and well below the figures produced in the previous quarter. A total of 7 06m was sampled showing a value of 1 978 g/t.

Copper/zinc producer, Frieske, benefited from two ore shipments during the quarter compared with only one in the September period and results were accordingly substantially better.

Copper shipments were more than doubled at 45 071 tons of concentrates while zinc concentrate shipments rose to 31 989 tons. Profits rose to R2 939 000 compared with a loss of R563 000 in the previous quarter.
Gold assault defeated says Oppenheimer

Industrial Reporter

THE CHAIRMAN of the Anglo American Corporation, Mr Harry Oppenheimer, yesterday said he believed the determined assault on the use of gold as a store of value had been defeated, and there was good reason to believe gold exports would continue to be a main support of the South African economy.

He told the UCT Graduate School of Business's advanced management programme that the gold price was now inflated by the weakness of the United States dollar. However, a slightly lower price could be sustained provided world monetary authorities did not throw their stocks onto the market. They were unlikely to do this.

Illustrating the importance of gold to the economy, he said gold production in 1976 was equal to 52.5 percent of the country's mineral sales, 63.5 percent of its mineral exports, and 32.5 percent of total exports.

Gold, platinum and diamond exports combined, accounted for 40 percent of exports. Gold and diamonds accounted for 16 percent of the state's tax revenue.

It was clear that the outlook of these industries was of the highest significance in assessing the future of the economy. The outlook was relatively bright, Mr Oppenheimer saw no worry of a production drop off. Subject to certain qualifications, "the prospects for the diamond industry are better than at any time I can remember".

The most accurate estimate for platinum was that production would increase by 17 percent in 1982. South Africa's reserves of the metal were enormous, and the world's vital requirements could not be met fully from any other source.

Mr Oppenheimer said it was unlikely that the Russians would sustain the diamond sales of the De Beers Central Selling Organization. A stable price was in their own interests.

Turning to the field of labour, he said migrant worker wages on the gold mines had increased from about R19 a month five years ago to about R95 a month. This had come about from the higher gold price and without pressure from the workers, but he conceded that they were not organized to exert pressure.

A "colourblind" pay scale existed on the group's diamond mines, but the gold mines could not dispense with migrant labour.

Mr Oppenheimer said he believed government policy would founder on the need to
Gold to average $182 — expert

BY NELSON ROGALY

TOP London stockbrokers, Strauss Turnbull are predicting an average gold price of $182 for 1978 with a conservative lower level of $175 and an upper average of $190.

This view was presented this week by Strauss’ mining wizard Dr Fred Collender in a gold report. He wrote: “The price of gold will be dependent on both industrial demand and the US dollar.”

“During early 1978, industrial demand should remain strong and with increased Krugerrand sales taking some 39% of the Republic’s production available for fabrication, the price should continue to rise through to $185.”

He anticipates that higher price may then affect demand. After that, the price will be dependent on the fortunes of the dollar.

Collender expects the US markets to recover later in the year and also forecasts a stronger dollar. “The French election in March could profoundly influence gold buying, and a firm Communist victory could see higher prices in France and in adjoining states.”

“In the Middle East continued steady buying will be the pattern and a conflict erupting could set the gold market alight, as could the failure of the dollar to hold its own against the mark and the yen.”

Collender feels a more likely scenario is that a Middle East conflict will be averted and that the Saudis will continue to support the dollar in their own interests.

In the Far East, conditions in Laos, Cambodia and Vietnam could degenerate further and the demand for gold grow rapidly.

Strauss Turnbull therefore sticks to its view that gold will average $182 this year, hitting a low of $175 and a high of $190. Collender commented: “Major sales by Portugal amongst others, should be absorbed by other central banks — free to deal in gold at market related prices after April — so stabilizing the price.”
LONDON: Continued steadiness in the dollar and a revival by share prices on Wall Street are expected to keep the gold price subdued for the next three to four weeks.

But the basic economic problems and needs of the United States plus heightened tension in the Middle East will keep bullion firmly in its long term uptrend established 15 months ago.

This was the broad consensus of opinion among London bullion analysts after gold’s see-saw performance between 275.50 dollars and 166 dollars an ounce, matching the sharp dips and rises in the dollar over the last fortnight.

Gold, up 22 percent in dollar terms in 1977 (but shown a rise in Swiss francs, a gain of only one percent in Japanese yen and nine percent in Deutchmarks), needs a rise by only 16 percent to breach the magic 200 dollars level.

And while some London analysts have boldly predicted a year-end gold price of 260 dollars in 1978, they are in a minority.

At the London branch of the world’s biggest stock-brokers, Merrill, Lynch, Pierce, Fenner and Smith, Wall Street’s “thundering herd,” gold analyst David Fitzpatrick said: “Gold might do nothing but trade around the 170 dollars level for the next three weeks with a probable rally in Wall Street and a steady dollar.

“After that we expect Wall Street to begin to look ragged against and investment buying of gold to resume.

“Added to industrial buying this will get the bullion price moving again although there will be the usual weakening during the summer.

“Overall we are looking for an average price of 180 dollars for the year. We feel the odds are against the gold price crashing through 200 dollars but it could happen if there was a spectacular flop on Wall Street,”” he said.

At London broker, Messrs. and Company, Michael Coulson, who is forecasting a year-end price of 215 dollars for gold, said: “Obviously what the Americans try to do will, in the short term, affect the gold price.

“But we don’t think it will seriously harm it. The Americans have still got to keep their economy moving to reduce black unemployment and the currency swap arrangement won’t keep the dollar up forever — similar measures failed in 1971 and 1973.
Optimisme in Londen

IN Brittanje is daar nou groot optimisme dat die goudprys bale binnekort tot die kerp van 200 dollar sal deurbreek. Die vertroue spruit veral uit die feit dat die Amerikaners nou feitlik gedwing word om sommige van die aantrekkingskragte van goud te erken.

Mense in die goudmark is verheug oor die jongste opwaartse neiging wat die mark ná die vorige se prys toon. Sedert die einde van verlede jaar het die goudprys van 160 dollar op die rug van 'n swak dollar en kommer oor die wêreld se ekonomiese vooruitsigte gestyg. Dit is fakse wat nog altyd beleggers na 'n goed gedryf het.

Leith McGrandle, finansiële redakteur van die Londense Evening Standard, het van die waarskynlikheid gesê dat die goudprys in die toekomst verder stijg kan deur die toename in die vrywillige behoefte aan goud, veral in die vrymarkte in Chicago en New York. Die Amerikaners, wat tot dusver oor die dollar is, begin om sommige van die aantrekkingskragte van goud te erken, skryf McGrandle.
Gold at 34-month peak

The Argus Financial Staff

The price of gold continued its upward climb on world markets today, rising to 195.10 dollars an ounce at the London morning fixing. This follows a hike of 4.25 dollars yesterday, and brings the price to its highest for 34 months.

Strong buying in New York overnight raised the price three dollars and was followed through in London. The rise was boosted by a fall in share prices on Wall Street and the continued weakness of the American dollar.

The higher bullion price fuelled greater demand for gold shares on the Johannesburg Stock Exchange today with prices rising across the board. Most of the buying came from American investors.

Page 15: Gold could bring new era of prosperity.
GOLD COULD BE ENTERING NEW ERA

Financial Editor

GOLD. South Africa's major single source of wealth, appears to be entering a new era. Last night the free world's 11 richest countries took an important step towards restoring to gold its monetary role.

After a meeting in Stockholm the central bankers of the Group of 10 — the United States, Canada, Japan, Britain, Germany, France, Italy, Sweden, Belgium and Holland — and Switzerland announced that they would not be renewing the agreement which has prevented them from buying gold in the free market for the past two years.

The agreement allowed those party to it to sell gold but not to buy it at above the official price of 422.2 dollars an ounce. It also limited the amount of gold member governments could hold to the total of the holdings of the countries signing the agreement and the IMF.

NEW ARTICLES

The decision not to renew this agreement has several important implications for gold.

When the new articles of agreement of the IMF are ratified later this year all central banks will again be able to trade freely in the metal. They will then be able to increase their gold holdings if they want to and in view of the recent decline in the dollar this is likely.

Nevertheless, one must not expect the central banks to become large-scale buyers of gold in the free market. They are fully aware that only a comparatively small amount of gold is being sold through the market and that even limited central bank buying could cause the price to rocket.

However, the central banks could be buyers of gold should the amount of metal flowing to the market suddenly increase. This means, therefore, that threats by the American authorities to depress the metal price by sales from their now-sticks will, from now on, be effective. This is the view that the European and Japanese central banks may ask the United States to sell gold to them. The United States still has large stocks of the metal, which, it is contended, should be used to redeem the vast amount of paper held by its citizens.

It will be interesting to see whether anything comes of this idea.

OTHER FACTORS

Meanwhile, several other factors have contributed to increased demand for gold in the past few days. These include the political situation in France and Italy, the breakdown in the Middle East peace talks and the further decline in the exchange rate of the dollar.

Reflecting these developments, gold closed 2.50 dollars higher in London last night at 175.50 dollars an ounce.
Gold prices bounce while dealers beam

JOHANNESBURG — Activity was at a high level in the gold sector yesterday, but prices tended to bounce around as selective profit-taking set in.

Dealers said selling was well absorbed, however, and brokers are beaming because of high turnover. Some profit-taking is to be expected because of the swift rise in gold share prices over the past week, but brokers remain convinced that the market is set for a bull run.

Although the gold price came off at the afternoon fixing in London, United States futures opened higher.

New York has been lagging behind other centres in playing gold shares at the moment. The sport is to play with the metal — gold transactions currently run to two million ounces a day, yielding an annual turnover of $75 billion.

The Continent and London were in the market yesterday, but inclined to take profits here and there, notably in Elands, Elandsburg and West Areas.

Platinums were active on London demand as the metal's price continued to climb above $200.

Diamonds have lost their glitter temporarily and De Beers remained on the decline. Coals tended to ease here and there and the antimony and asbestos counters lost momentum.

Mining financials were firmer in line with producers. Industrials were neglected and featureless.

De Beers shed 10c to 560c. The platinums were up in the 6c to 8c range.

Golds Murch came off 5c to 330c. Gecfa and Masuli were off the top to close unchanged on Monday.

Durban Deep and ERPM featured in the Witwatersrand sector, with gains of 30c and 60c on hopes of development prospects at the current gold price level.

Fregula made the biggest absolute advance of 10c, Vaal Reefs, President Brand and West Driefontein, Winkels, Liban and Harties and President Steyn firmed in the 40c to 50c range.

Doorns was active again, but the rise of 30c to 565c was not as fast as on Monday. Even little Wit Niel is sharing in the boom, being bid up 9c to 101c.

Ergo was off the top, cutting the gain to 2c.

Amgold advanced 10c.

GFSA put on 75c, Johnnies rose 5c and Unicorp firmed 15c.

Jabula and Mons moved sharply higher in foods, Renn Beher and Renbro came off in Tobaccos, probably on creation of securities rand to buy gold shares.

The drive of the rate to 78 United States cents showed the strength of the gold market.

In London, gold shares extended their recent gains by up to 3/4 point while other stock prices lost ground in quiet trading.

Government bonds fell by up to 5/8 on light to moderate selling in a market largely devoid of buying interest. Speculation over the possibility of a small reduction in the UK minimum lending rate on Friday had little effect on trading, dealers added.

Equities drifted lower and at 15000 the FT Index was down 2.8 at 483.8. United States and Canadian shares were mostly lower.

In Salisbury, a wide range of counters were traded and share prices were mainly higher where changed.

In the industrial section Portland Cement at 255 cents and TA Holdings at 130c were both five cents higher while Cairns gained two cents to 122c.

DDC-SAPA-RNS.
15. Aantal aankliken (as per worker)

(a) Name (eerste nom alleenlik)
(b) Verwantskap aan werker
(c) Ouderdom
(d) Geslag
(e) Woonplaas
(f) Skooljaar voltooi
(g) Nou op skool?
(h) Skool (naam, soort, distrik en opstand van plaas)
(i) Werk wat vir hulle gedoen word (h.v. gedesig na skool voltooi)
(j) Jaarlikse inkomst grond (pee of week)
(k) Jaarlikse ondernemingskapitaal

No Panic Over Gold

By John Cavill

LONDON: Relative stability in the dollar's exchange rate and profit-taking chiefly by American speculators, has put a damper on the gold price this week.

It slid through the 175 dollar an ounce level after this had looked like becoming a short term floor and dipped to under 174 dollars.

But London bullion dealers who said trading was "very thin" commented: "There is no panic and no cause for concern. The price held up surprisingly high after the dollar's recovery when we thought bullion might settle in the low 170 dollars area."

The French franc crisis has seen the Paris price of 12.5 kilogram bars run up to the equivalent of 183 dollars an ounce, but this too has eased back.

The dollar meanwhile, has settled in a narrow trading band of 2.10-2.11 deutschmarks, 1.96-1.98 Swiss francs and 240-242 yen.

"It means there has not been anything to go for so far as speculators are concerned," said a London gold analyst.

"Thus we have seen quite a lot of American dealers taking short term profits and closing their open positions on the commodity exchanges in New York and Chicago," he said.

And expectations of a rally in share prices on Wall Street -- which has so far showed little sign of following through -- have diverted speculative interest away from gold.
A market for Krugerrands

There's a big demand for these ounces of fine gold. But the marketing mechanism is creaky, and should be improved

Scarcity breeds premium prices. Few commodities offer an economic truism better than the Krugerrand, that beautiful and much sought after legal tender coin, whose true value is determined by the simple fact that its mass is one ounce of fine gold.

At home, the Krugerrand is scarce. Only about 100,000 are put on the local market each year — and purchasers are willing to pay premiums exceeding 30% of their real value. Abroad, where the bulk of the 3.3m coins minted last year were sold by Intergold, the marketability brings premiums down as low as 3% - 4%.

In this article, one is not concerned to bewail this position. The decision, taken by the authorities to limit the supply to 107,474, to July 31, 1974, to the home market in favour of overseas Kruger sales, is of obvious benefit to the balance of payments, and Intergold's success in lugging Krugers benefits us all. The object, here, is to examine the way our limited supply of Krugers is first distributed, and later marketed.

Distribution is purely arbitrary. The 2,000 or so coins that are each week's supply are apportioned to the banks (all general and commercial banks) on the basis of the numbers they were selling just prior to the 107,474 clampdown. That's probably as fair as any arbitrary system can be, but its effect is that getting a Kruger as a bank customer is very much of a rarity. Some waiting lists are nine months long, others 18 months. And there is a very strong suspicion that important customers are able to jump the queue.

None of the country's dozen or so coin exchanges can make any major claims to a market in coins that exists after the banks have made their disbursements. For this there is no less onerous task (all and here Harold Sackstein's Coin Exchange in Johannesburg is taken as an example). If he needs stock ("stock I always need") Sackstein will buy at a small premium above the bank selling price; if that's R175/R176, he'll probably pay around R180. And given this sort of price structure, he will sell at say R190 net for a "profit" of 8.5%. This will vary, and can rise to 10% or so, and it's not an

they have to do is inform top-of-the-line customers that a coin is available, and hand it over (the banks get a 3% commission on base price). Krugers are sold every Thursday by the Chamber of Mines. That's the mean of the London fixes that day, to which the Chamber adds a whopping 10% for its members. In the olden days, the charge was bullion plus 8% (with repurchases at minus 10%, which worked out at 2.8% under gold) when the artificial shortage was created, the Chamber and the banks upped their (mostly) charge to 15% — and repurchases are no longer guaranteed but are subject to negotiation and could be held gold.

When the coins are in private hands, then people want to be able to sell — and buy. The better known exchanges are those conducted on an agency basis by dealers. These coin exchanges, of which the South African Gold Coin Exchange (SACGE) is probably the biggest, operate very much as a stock exchange. To quote from the SACGE's own brochure: "The exchange makes a market in Krugerrands in just the same way as a stock exchange makes a market in stocks and shares. Prices on both markets are determined solely by supply and demand..." Fair enough, but it's an expensive market. The commission charged is R6 a coin — to both the seller and the buyer (plus an additional R3 per coin for sellers only of "small lots" of one or two coins). So, to turn to the example in our table (where local prices have been rounded for simplicity), the seller of that R197 Krugerrand would have received R191 and the buyer would have parted with R203 — for a 33.5% premium over gold. Just to stress the point, gold will have to reach R234 before he shows a profit. And El. Levine's company would pocket R12 for a 6% commission on the board price.

Other dealers operate as principals.

What is far less widely known is that a fair number of stockbrokers operate an unofficial, but nevertheless active, market on the JSE. Its turnover averages 200 coins a day, or so a week, but in bursts of speculative activity trade amounts to 400 or more over two or three days.

On the day that our price table was compiled, the JSE unofficial market was quoting buyers R190, sellers R192 in lots up to five coins. These prices were up to 25% available at R193. By comparison, the SACGE that day had about 200 coins on offer, prices ranging from R187 to R204. The big difference, however, was that the JSE brokerage charge was only R1 per coin, while the SACGE buyer, possibly at a higher price, would have had to stump up that additional R6.

Most coin dealers regard the JSE's competition as unafar. As Sackstein puts it: "I'm not here to sell stocks and shares, why should they clam our in on my territory? And, indeed, stockbrokers explain their ultra-low Krugerrand "brokerage" (it's much lower than on shares) by saying that they regard it as merely "a service to clients."

Levine's view was more constructive. Pointing out that the market was indeed active (it could double), he said there were 30,000 to 50,000 Krugerrands a month, against the supply of 8,000, he regards the exchange and dealers' charges as "what the market will bear. If the JSE competed on a bigger scale, we'd cut our commissions. I welcome the JSE's participation and would like to see them expand, because the more people there are in this field, the bigger the total amount of business done, and accordingly our share will continue to grow."

Well, should the JSE compete; should the present unofficial market receive the blessing of the authorities? Main objection, of course, is that the JSE is a stock exchange, not a coin exchange. They'll want to deal in bars of soup next," said one rate dealer.

On the other hand, the Krugerrand is very much an investment coin. In many ways, it's as much an investment, or a speculation, in gold as a gold share. It is, or rather has, an intrinsic value, one which is set externally by the international bullion market. And there's a precedent in that the JSE quotes, and makes a market in, securities rand.

The JSE's president, Chris Freemen, is aware of the unofficial market — and would like to see it regulated. "An orderly and regulated market in Krugerrands is that, in those Krugerrand - that are here in SA — would be in the best interests of all concerned," he feels.

A JSE market in Krugerrands would have little effect on the high premiums that SA buyers are prepared to pay as against their European counterparts, but it would certainly cut dealing costs. As such, it is to be recommended.

In the meantime, readers wishing to buy or sell should first ask their brokers to try the unofficial market. Tough on the dealers and coin exchanges, perhaps, but it is their commission structures that make this advice valid.
US-German rift fears boost gold, platinum

John Cavill

LONDÔN — Platinum and gold prices jumped in London yesterday as the dollar slid against all major currencies on fears of a widening rift in the economic argument between the United States and Germany.

After rising 73c US at the morning fixing to 218.25 dollars an ounce, platinum spurred ahead to an afternoon fix of 221 dollars. And it was trading higher as markets closed to show a five-dollar gain from Friday's close.

In the bullion market, gold jumped 1.375 dollars to 178.30 dollars in the morning followed by 177 dollars at the afternoon fixing and a closing level of 177.40 dollars an ounce—a total rise of 2.275 dollars.

On the foreign exchanges, the dollar lost ground against the European currencies. Sterling rose by just over half a cent to 1.94 dollars (R1,657).

Foreign exchange dealers said nervousness about the dollar stemmed from the admission that the secret meeting in Paris of finance ministers from the United States, Japan, Germany, France and Britain, reflected concern about currencies.

And reports from Washington that the argument between America and West Germany over the Bonn government’s reluctance to reflato further could jeopardise the proposed economic summit in July only added to the jitters.

In the platinum market dealers reported that a return of Japanese buyers compounded the effects of the dollar weakness.

One trader said: “The Japanese have been out of the market for the last two weeks while they took delivery of South African material but they are back now. In addition, there has been some nibbling by oil companies and after some profit-taking sellers withdrew which forced the price up.” Sentiment was also boosted by a “buy” recommendation from Merrill Lynch on chartist grounds that platinum’s downside potential was 213 dollars while it could rise to 250 dollars an ounce.

BONN — The United States Treasury Secretary, Michael Blumenthal said yesterday that West Germany had pledged its help in dealing with dollar fluctuations on the currency markets. Mr Blumenthal, who spoke to reporters after meeting for almost three hours with Chancellor Helmut Schmidt, said the talks were not designed to put pressure on West Germany.
Platinum outruns gold with $7 rise

John Cavill

LONDON — Gold came within 25 cents of 180 dollars and platinum spurted seven dollars to 232.50 dollars an ounce as the speculative rush into precious metals and out of dollars mounted yesterday.

And despite a rally in the dollar, helped by the German Bundesbank and Swiss National Bank, as well as fears of a “bear” squeeze by the United States Federal Reserve, gold closed at a new 36-month high.

The bullion price lifted initially by heavy demand from the Far East was fixed at 178.60 dollars an ounce, in the afternoon, traded up to 179.50-180 dollars and closed at 179.25 dollars for a net gain of two dollars.

Platinum again outran gold, surging to a new four-year peak for the second day running with a seven dollar rise to 232.50 dollars an ounce.

"Unfortunately it's all speculative demand," said a leading platinum dealer, Mr. Hilton Salt of Argos Metals. The forecast by Merrill Lynch Pierce Fenner and Smith of New York, the world's biggest stockbrokers, that platinum will rise to 250 dollars was helping to maintain the momentum of speculative buying.

The gold market, dealers said, the bullion price's "decisive break-through 178 dollars" could bring another wave of buying today.

Reports from Zurich said that many Middle East clients of Swiss banks were selling American equities and switching out of dollars into gold.

INTERVENTION

While the dollar closed marginally firmer against the major currencies last night, foreign exchange dealers said this was due mainly to fears by sellers of massive intervention by the Federal Reserve, in New York.

"They don't want to be caught short so they have closed their open positions," said a dealer at Barclays International.

But a further fall in Wall Street share prices could produce another bear raid on the dollar in the Far East, and give an added push to precious metal prices.
NEW RAID ON DOLLAR SENDS GOLD TO 180

Argus Financial Correspondent

LONDON.—Gold hit 180 dollars an ounce on the London bullion market yesterday but eased back from this psychological ceiling in spite of a sharp bear raid on the dollar.

An off-the-cuff remark by the United States Under-Secretary for Monetary Affairs, Mr Anthony Solomon, to reporters in Paris set off a wave of selling on the foreign exchanges which drove the dollar down.

In Zurich today the dollar hit an all-time low of 1.83 Swiss francs.

Mr Solomon said the Federal Reserve Board had virtually not intervened in support of the dollar for three weeks—which nervous currency markets took as meaning the United States was not making any serious effort to hold the dollar.

A hasty correction by Mr Solomon—that the Federal Reserve had, in fact, supported the dollar in the past three days but had not needed to earlier because the market was "orderly"—had little effect.

But for expectations of substantial support from the Federal Reserve in New York after European markets closed the dollar could have finished lower.

In the bullion market gold closed at 178.75 dollars, its highest closing level since March 1978. It opened today at 178.80.

Stockbrokers reported gold shares were off their best levels. "Investors are in a bit-wary. They are not convinced gold will go through 180 dollars," one leading broker said.
Gold over $183 as $ dives

Gold rose to $183.20 at the late fix in London yesterday after the morning's $182.60. The close was $183.50.

Gold firmed in response to fresh falls by the dollar to record lows against European currencies.

In Zurich the dollar fell below the 1.80 Swiss franc level for the first time to stand at 1.7950.8000. The dollar was down to 2.0195-0215 marks as selling pressure mounted.

United States gold futures opened higher on the New York Commodity Exchange and the International Monetary Market.

On the Comex prices were up $2.00 to $2.80 with the March contract opening at $183.00, up $2.20.

Prices on the IMM were up $2.10 to $3.00 with the March contract opening at $183.20/183.70, up $2.60 and $2.10.

The West German Economics Minister, Mr Otto Lambadoff, warned yesterday that the public debate between the United States and West Germany over economic growth could stall business growth.

"We ask ourselves and our partners whether the current public discussion over new economic growth initiatives is not counter-productive," Mr Lambadoff told the Bundestag. West Germany's parliament.

Continued public argument between the two economic giants "could unleash new hesitation" in the economy.

"What the economy needs is clarity and security." The speech, which opened a day-long parliamentary debate on the economy, underscored the position of Chancellor Helmut Schmidt's government that it is doing all it can to stimulate its economy, in spite of criticism from the United States.

President Carter has been urging West Germany and Japan to fire up their domestic economies, to reduce their trade surpluses and help their trading partners recover from the worldwide recession.

A government spokesman told foreign journalists that West German industrialists would hold back on capital investment if the government announced new stimulus measures.

Growth target

"The government has gone to the limits of what is politically and economically possible," Mr Lambadoff said of stimulus measures.

The West German Government would co-ordinate its internal policy "together with the American Government, with Japan and with our partners in the European community".

Mr Lambadoff said West Germany would meet its 1978 economic growth target of 3.5 per cent but warned against underestimating "the external and internal economic risks".

These included the economic situations in the country's major trading partners, weakness of the dollar and coming wage negotiations in major West German industries.
LONDON — The gold price continued to move into higher ground yesterday, following a further sharp decline of the dollar. The U.S. currency plunged against Swiss francs, the yen and to a lesser extent the deutschmark and sterling. The London morning fixing was 181.50 dollars and in the afternoon it was 182.25 dollars an ounce.

In terms of Swiss francs and other harder currencies, the gold price has not performed; so investors profited more by switching into the strong currencies over the past few weeks.

But this is from an international investment point of view. London bullion dealers point out that even at these dollar prices, industrial demand has been maintained.

In German marks, Swiss francs, lira and the Kuwaiti dinar, which recently cut its links from the dollar — the gold price is relatively low.

**Producers gain**

So from a price point of view gold is still fairly attractive for industrial buyers.

The South African producers are also benefitting from the 1975 Devaluation of the rand and in terms of rands, the mines are earning around R158 per ounce at current prices.

When gold recently traded at 150 dollars, the rand price was R131; and when gold was last at these levels, in 1974, the mines' free market price was R125.

Mr. Kjeld Thygesen of James Capel says that four years ago, when gold shares were at their peak, the firm's dollar index was 800 points. The bullion price is now around the same levels as those heady days, but the dollar gold share index is now only 224 points.

Putting it another way, the ratio of dollar-priced gold shares to bullion was 4.4 during the euphoria while the ratio is now only 1.25, compared with a low of 0.96 at the depths of the bear market in 1976.

Mr. Thygesen, who recently returned from a trip to South Africa, cautions however, that since 1974, costs have increased sharply: higher tax surcharges and a loan levy have been instituted, while the Soweto riots and subsequent events have altered foreign investment feelings about gold shares.

**Profit margin**

But he notes that the industry profit margin in the December quarter averaged 75 dollars — the highest in dollar terms and the highest ever in rand terms. He estimates that the average industry cost was 93 dollars per ounce in 1977 and for 1978 should average 110 dollars.

Last year there were sharp increases in power, stores and materials costs, while the overall costs of labour rose too. For the coming year, power is expected to increase by a further 20 percent, wages could rise by 10 percent, while to a lesser extent stores and sundries expenses should also rise.
New customers

For some time well-known New York precious metal traders J Aron & Co (among others) have been pressing the Reserve Bank to change its gold marketing policies. With considerable success, it seems.

The FM learns that in recent months the Reserve Bank has diverted some of the bullion normally sold to the London gold market and the three Swiss banks which make up the Zurich gold pool to J Aron and a number of (non-Swiss) Euro-

pean banks. Though the quantities shipped to the US are believed to be fairly small, the new European customers are apparently getting sizeable amounts.

The parties involved are staying mum. A Reserve Bank spokesman says: "We are not prepared to disclose to whom we sell gold nor the quantities involved." Similarly, an executive at J Aron tells the FM: "We view our relationships as fiduciary. It is our policy not to comment on with whom we do business."

British satisfied

Though a London bullion dealer reckons British traders are still happy with the amounts of gold coming from SA, it's rumoured that the Swiss banks are not. That's hardly surprising, since for almost 10 years, some 80% of SA bullion sales have been channelled through Zurich. The apparent satisfaction of London dealers and the fact that the UK received roughly normal supplies last year (about one-fifth of the total) also indicates that the Swiss may be the biggest losers.

Why the switch? When he spoke to the

Financial Mail February 24 1978
Short-term gold price forecasts ‘near impossible’

LONDON. — The past few weeks emphasises once again that too much attention has been placed on daily and ultra short-term gold price fluctuations. If forecasts of the experts are any indication, short-term currency and gold price predictions are virtually impossible.

To illustrate: A week before the “secret” finance Ministers meeting in Paris which set off the latest dollar furore, I canvassed London, Swiss and German bullion and foreign exchange dealers.

The viewpoint of most was that gold — then trading at about $175 — was in for a small setback. Most believed this would occur because the dollar appeared to be stable.

The history of the past fortnight shows that gold is up by five per cent, and that the dollar is down four per cent against the Deutsche Mark and eight per cent against the Swiss franc.

This has taken place in a situation where currencies have not floated freely. The central banks of Germany, Switzerland and Japan have intervened with huge amounts to prevent their currencies rising. The Bank of Japan, in particular, has been an active buyer of dollars.

With the volatile futures market in the U.S., gold plunged five dollars in a day, but with the basic U.S. balance of trade deficit still alive and well, currencies gradually hardened against the dollar and this led to the rout of the past two weeks.

Putting the short-term fluctuations aside, foreign exchange analysts feel that over the year the German mark and the yen will remain firm against the dollar.

They find it difficult to predict the course of the Swiss franc because it attracts investment funds. The analysts feel the basic U.S. problems remain. This implies a wide U.S. trade deficit, unsatisfactory exports, high oil imports, and higher inflation.

The Dow Jones index, mirroring the market’s feelings of the leading U.S. industries, fell below 750 points this week. All the signs point to lack of confidence in the U.S. economy and the dollar.

The sterling crisis of 1976 showed that it is very difficult to turn market forces, and if the British situation is any indication, the dollar slide means higher interest rates and a further U.S. stock market fall.

Through 1977 and the first two months of this year, UK and European institutions favoured Wall Street because values were the best they had seen in two decades.

Well, the P/Es and dividend yields are still improving, and foreign institutions are taking heavy knocks on both American shares and the dollar.

With the London market weak and European markets unexciting, it would not be surprising to see a further turn into gold and gold-related assets.

Indications from Consolidated Goldfields are that industrial demand remained strong last year, despite the higher gold price. So Swiss bankers say that there has been Russian selling into the market strength, and the estimate is that 400 tons of Russian gold was sold in 1977, compared to earlier estimates of 300 tons.

The Swiss view is that central banks will buy and sell gold among themselves and once allowed to do so. Swiss bankers feel that the central banks will not deal through the free market.

Missing bullion riddle

THERE’S an awful lot of gold bullion unaccounted for and floating around the US today. The Bureau of Mines reports a five-million-ounce gap between the 10-million ounces imported during 1977 and the amount used by American industries.

In their latest report, the bureau says industry sharply decreased its use of gold. The bureau also estimates that industry increased its stocks of gold bullion in 1977 by 200,000 ounces to a total of 1,1-million, for a net absorption of 5-million ounces of gold for the year.

A total of 18-million ounces of bullion and nearly 1.5-million ounces of gold coins were brought into the US last year. Exports left a net inflow of slightly more than 10-million ounces.

The answer, such as it is, comes from two sources.

Swiss Bank Corp’s New York dealer office chief, Clauvan Zeitig, notes that the booming gold futures market that has sprung up in New York and Chicago may have absorbed as much as 3-million ounces as the underlying base for its speculators.

And Thomas Wolfe, the Washington-based gold analyst, believes the Bureau of Mines underestimated industry consumption last year. ”I think industrial use consumed as much as 6.5-million ounces,” he said recently.

That would still leave 500,000 to 800,000 ounces, about the size of the amount sold at an IMF monthly auction, that no one can find for the time being.
GOLD...
and it's
future
potential
SHARES ARE STILL
TOPS LONG-TERM
DESPITE MORE COSTS

By ESMOND FRANK

THE INVESTMENT spotlight was this week turned on the long-term potential of gold shares and the future of multinational corporations in South Africa at an investment conference in Johannesburg.

Robin Plumbridge, vice-chairman of Gold Fields South Africa, said the country's major gold mines were still the prime long-term investments on the sharemarket, although production costs had virtually kept pace with the rising price of gold.

He told delegates to the conference, which was organized by the broking firm of Simpson, Frankel, Hern and Kruger, that while the average gold price at the end of last year was about 130 percent higher than it was in 1973, operating costs had risen by 127 percent.

But he added that the major mines had the flexibility, production capacity and financial resources to ride out foreseeable storms, take advantage of any upswings and implement capital programmes required to sustain the scale of operations in modern deep-level mines.

Plumbridge defined major mines as those which milled at least 100,000 tons a month at a maximum production cost of 100 dollars an ounce and with profit margins in excess of 40 percent.

- The high domestic rate of inflation;
- Major black wage rises;
- Heavy increases in administered prices.

He said these escalating costs could only be countered by significant increases in productivity which had, however, actually fallen last year.

Talking about the future of multinational corporations in South Africa, Professor Arnt Spandau, head of the Department of Business Economics at the University of the Witwatersrand, believed it was unlikely that foreign companies with about $20 million invested in South Africa would adopt their local operations.

He pointed out that multi-national corporations would be forced to sell their assets if they were compelled to withdraw their investments in South Africa.

"But this and the repatriation of capital could be presumably done only at the expense of a considerable discount," he said.

And he doubted whether any local buyers could be found for the assets since the market for them was unlikely to be strong.

"I do not believe that our confidence should be undermined by assuming that another world war is imminent in cases where professional investors were under pressure to move their resources,..."
More gold sales in 77, but price will rise.
‘More gold sales in ’78 — but price will rise’

LONDON — More free market sales of gold by central banks and producers may be expected in 1978 for balance of payments and other reasons, Samuel Montagu and Co says in its annual bullion review.

The review, which predicts a gradual rise in the gold price, says if official selling depresses the price, support may be expected from countries which have revalued their gold reserves at market-related prices.

The review says “one cannot, however, entirely exclude the possibility of some sizeable central bank purchases or sales in the market. These could create wild fluctuations in the price. It is still our hope that some central banks will co-operate to avoid gyrations in the market price.”

With the agreement among the Group of 10 countries and Switzerland, to place a ceiling on gold holdings having lapsed and ratification of amendments to the IMF articles expected shortly, a large number of central banks are expected to revalue their gold holdings, Montagu says.

The effect of such moves would be mainly psychological, as heavy outright official purchases by surplus countries are not anticipated, although there might be more transactions between central banks outside the market.

Montagu says it expects the high demand of 1977 to continue, adding it may be supplemented by a rise in exports to the Indian sub-continent.

Hoarding and investment demand will depend on political and economic considerations in developed countries, but higher inflation will certainly increase demand.

On the supply side little change in production is anticipated and Soviet Union sales are expected to remain similar to the 1977 level, estimated by Montagu at 340 tons.

On the outlook for silver, Montagu says there is little reason to expect any significant change in the basic supply and demand situation this year, barring any developments in the US strategic stockpile question or an unexpectedly large shift in consumption.

Production is expected to rise slightly, to not more than five percent above last year’s production, estimated at 7,805 tons.

At best an unchanged level of total demand for silver can be expected, Montagu says, making the likely shortfall between primary production and supply in 1978 around 4,000 tons.

With little prospect of an overall shortage of supply, prices will depend once more on the attitude of investors and speculators.

UNCERTAINTY

In the light of the considerable uncertainty, it is not surprising that silver has recently proved less attractive to investors than gold, the review says.

With silver reacting more positively recently to dollar weakness, the metal could overcome its resistance to the 300 US cents level, but the price advance should not extend far even if the threat of stockpile sales is removed. — Reuters.
Withdrawals from the US

There is a new supplier of gold bullion to the world market, located in New York. It is the Federal Reserve Bank of New York, which in 1977 delivered more than 11m oz from its underground Manhattan vaults to the rest of the world and which claims to hold the known largest accumulation of gold in the Western world. Only a small portion of it belongs to the US (mainly to the Treasury’s Exchange Equivalence Account).

The New York Fed, which also handles foreign exchange and swap operations on behalf of the US government (and has sometimes taken a maverick line) holds a quarter of the official monetary gold reserves of the non-communist world. Before and during World War II, many foreign central banks deposited gold with the New York Fed for safe-keeping.

The New York Fed’s official pamphlet describing its gold vaults nails its colours firmly to the mast: “Once a metal of myth, mysticism and monetary magic, gold has now been largely tamed.” One might ask: how large is large?

In the past two years, quantities of gold have been moved out of the New York Fed vaults, as the table shows:

**NEW YORK GOLD MOVEMENTS**

<table>
<thead>
<tr>
<th>Country</th>
<th>1976</th>
<th>1977</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMF</td>
<td>2 822 476</td>
<td>4 455 037</td>
</tr>
<tr>
<td>Austria</td>
<td>880 939</td>
<td>2 634 469</td>
</tr>
<tr>
<td>BIS</td>
<td>619 283</td>
<td>2 347 004</td>
</tr>
<tr>
<td>Switzerland</td>
<td>225 161</td>
<td>1 423 253</td>
</tr>
<tr>
<td>Philippines</td>
<td>400 001</td>
<td>30 000</td>
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<tr>
<td>UK</td>
<td>59 434</td>
<td>50 070</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>20 570</td>
<td>26 318</td>
</tr>
<tr>
<td>Panama</td>
<td>15 407</td>
<td>11 340</td>
</tr>
<tr>
<td>Jamaica</td>
<td>11 826</td>
<td>5 106</td>
</tr>
<tr>
<td>Mexico</td>
<td>30 000</td>
<td>26 318</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>4 947 640</strong></td>
<td><strong>11 028 938</strong></td>
</tr>
</tbody>
</table>
*Fine tray oz.*
Source: US Federal Reserve Board.

The movements shown for three of the top four — Austria, the BIS and Switzerland, totalling 6.4m oz — were essentially swaps. The central banks of Austria and Switzerland and the BIS made gold available to the New York market from their holdings at the New York Fed. In return, they obtained gold at the same price from the European market.

The advantage of these swaps seems to be that New York obtained gold net of insurance and shipping costs, while the banks concerned gained physical repossession of gold lodged in New York.

The smaller amounts involved in 1977 — from the Philippines down to Mexico — may involve physical shipments, back to the central banks concerned, or they also could be sales on behalf of those banks into the New York market. Though the figures are clear enough, their interpretation is difficult.

Because of the eccentric way the US government calculates these Fed transfers, the US is now a net exporter of gold. Though all of the gold withdrawn from the New York Fed belongs to foreign governments, and by rights should be counted on their export accounts if sold to world buyers, instead the shipments are counted by the Treasury as a US export and hence are used as the explanation, to anti-gold congressmen, why the increasing and investor demand for bullion in the US is not really having a balance of payments effect.

Sagging $5

This does not rule out a Carter administration decision to sell off some of its bullion to help prop up the sagging dollar. A show of the formidable US gold muscle (273m oz, or roughly 23% of the world’s holdings) would possibly boost the dollar and temporarily dim gold’s glowing prospects. But the Fed transfers do for a while relieve the Treasury of pressure from congressmen concerned that the record gold imports last year (10m oz with 12m oz predicted in 1978) were having a harmful effect on the battered US payments accounts.

US Treasury gold policy planners have also become openly suspicious that the monthly IMF gold auctions are being rigged by pre-agreement among the less than 20 regular gold dealers who participate in the sales. The suspicion is that the dealers have the bidding down to such a fine point that they have in effect propped up the price of gold artificially by making the fund sales so innocuous. Indeed at the last two sales every bidder was able to carry away gold from the auction.

However, market sources think the allegation of rigging merely suggests the predisposition of US bureaucrats to see rings where none exist. They feel the fine-tuned bidding at the IMF auctions reflects dealing professionalism in a highly competitive market.

Meanwhile, absorption of gold in the US for industrial and investment purposes is rising, and it is unlikely that 1978 will see the transfers from the NY Fed Bank rise by the same dimension as last year. But the figures will continue to be closely scrutinised, not least for the evidence they supply of withdrawals of foreign-owned gold from New York.
Gold sales confound the pessimists

By JOHN CAVILL

LONDON: A record breaking International Monetary Fund gold auction and a new three year high of 185.45 dollars an ounce for bullion this week confounded forecasts of a slow-down or even temporary setback in the price of the yellow metal.

Inexorable selling of the dollar brushed aside a multi-million support operation by the central banks of Germany, Japan, Switzerland and the United States, driving it down to record low levels against the Swiss Franc and Deutschemark.

"It is now almost impossible to forecast about gold. The dollar crisis has become a political question and gold will react to whatever decisions are taken in Washington," said a leading London bullion dealer.

**Bullish**

"The IMF auction result was highly bullish, especially the fact that it brought in bids for 1.4 million ounces against under 600,000 ounces last month."

"The price was a slight puzzle at an average of 181.85 dollars because it is usually closer to the London fixing which was 182.80 dollars."

"But overall the auction showed a return of strong investment buying even at these high levels - and of course it was justified by the rise afterwards," he said.

The "strong gold/weak dollar seesaw has forced many analysts to rethink their expectations for gold: most have forecast a price of 200 dollars later this year but it is now less than 10 percent below the magic figure."

Christopher Murphy, consultant at stockbrokers James Capel and Co., said: "We are feeling a little nervous as gold breaks new ground."

"We have had an 18-month bull market and the price has risen more than 80 percent and normally one would be looking for a downward reaction."

"But it is clear that the dollar will remain sick for a while and that a lot of European central banks are thoroughly fed up - so that any potential selling by, for example, Portugal, which has 500 tons, is likely to be comfortably absorbed at prices near the market level."

"We may still have a normal reaction in the gold price but it may not now happen until after it has broken through 200 dollars," he said.

Reports of heavy Russian selling - although bullion dealers said they had seen "nothing abnormal" - had little effect on the market.

"Obviously the Russians will be taking advantage of the high level of demand, especially if they think the dollar's fall has to stop somewhere within 10 percent of its current level."

"But the market is basically undersupplied and can absorb it, especially as nearly 33 percent of South African production is being taken out of the gold bar market and sold as Krugerrands," said a bullion trader.
Higher oil price hint drives gold to a new crest

John Cavill

LONDON — Gold surged to a new crest of 187.50 dollars an ounce in London yesterday as a wave of speculative buying built up on the belief that oil prices will be increased.

And today, in both London and Zurich, the price opened at over 188 dollars.

Platinum scored a four dollar rise to 334 dollars, but traders said the physical market in London was lagging behind the futures market in New York where the April position traded at 240 dollars.

By contrast, gold shares behaved tardily, failing to match the froth in the bullion market although the securities and discount narrowed to 27 percent (from 38.25 percent) on swelling demand.

The precious metals prices owed only a little of their gains to the dollar today. It remained weakened by the United States coal strike impasse, but was relatively stable against the main currencies.

Bullion dealers reported that there was "no panic, just steady buying with no readily identifiable sources, and very few sellers to meet the market."

But they added that the pressure for an oil price increase, with the United Arab Emirates (a moderate) joining the Iraqi and Kuwaiti "Hawks" was a strong factor.

The United Arab Emirates proposed linking oil pricing to a basket comprising 20 percent Arab oil state currencies, 70 percent the six biggest economies of the West and 10 percent gold. Any such move — already supported by Kuwait — would immediately increase the dollar price of oil and international inflation rates.

A leading London analyst, at stockbrokers Messel and Company, said: This could also undermine all currencies, and with the price of gold still low in terms of Swiss francs, D-marks and yen there could be a bit of hedging into gold.
Gold up to $190
— a three-year high

By PAUL DOLD, Financial Editor

GOLD spurted to $190 at the late fix in London yesterday — the highest level in three years, and with confidence still lacking in the dollar there is a real prospect of a $200 price.

Bullion during recent trading sessions has tended to move independently of the dollar which tends to indicate that the market believes whatever the short-term recovery prospects of the currency, the dollar is still heading down and has yet to bottom.

The pending French elections with the possibility of the socialist-communist coalition winning is another factor which has been underpinning the gold price.

In a hectic late fixing in London bullion was first quoted at $190,70, followed by $190,90 before selling pushed the level to $190,00. Dealers said gold should remain reasonably steady at these levels unless there is a dramatic strengthening of the dollar or new factors arise.

The London morning fix was $188,80 and the close $190.

The Zurich closing spread was wider than London at $189,75-$190,50. The all-time London high was $198 on December 30, 1974.

While as the graph shows gold has advanced strongly in dollar terms since the start of the year, there has been an actual decline in Swiss francs. The franc price at the end of 1977 was 333,43 and on March 1 stood at 328,14 — a 1.5 pc decline while gold rose 11,3 pc. In terms of the mark there was a 5,9 pc rise, the yen 10,1 pc, sterling 9,3 pc and the lira 8,4 pc.

It was a better day for gold shares although once again the JSE boards lagged well behind bullion. A higher securities ratio of 83,75 tended to limit interest but most shares closed firmer. With the dividend season about to begin the usual buying pattern is emerging.

Apart from golds, De Beers featured with a 26¢ gain yesterday to 555c on its dividend, and platinum was also marked higher due to the spurt in the free market price.

Industrials tended to drift although Cape share Charmfit was a firm spot.
Tourist gold

Krugerrands are now on "export" sale at Jan Smuts airport at roughly the daily gold price plus 8%.

This is below the gold plus 15% at which the banks sell KR's in SA — and well under the 25% or so premium on the open market here. But the traveller need only pay gold plus 5% to 8% in the US and Europe.

Volkskas, which has the sole franchise to sell the coins to foreigners once they have passed through customs on the way out, insists that it is not primarily in this to make a profit but to assist in earning foreign exchange for SA.

But a profit will be there because it has a deal with Intergold for coins sold at Jan Smuts in terms of which it obtains them at less than the gold plus 10% paid by the banks for internal sales.

Nice deal for everybody — and a convenience, if no great saving, for the outgoing tourist.
French boost for gold likely

By CLIFFORD GERMAN

LONDON. — Uncertainty over the outcome of the French elections has now become a major factor helping to push up the gold price, in addition to the continued weakness of the dollar, London bullion dealers say.

If the Left-wing parties win more than half the votes in the first round of the French general election today the reaction will be felt not only in France, where gold is the traditional hedge against inflation and insecurity.

Demand for gold will increase throughout Western Europe and perhaps in the Middle East and North America as well, because of consequent fears for the stability of Western Europe as a whole.

Demand for gold has already increased as the present Government tightens the watch on illegal currency exports and a left-wing victory could spark fears of more official curbs on gold buying.

If the Left fails to win the first round, or if the communists refuse a second-round pact and allow the Right wing coalition to take a majority of seats in the second round a week later, however, the present price of gold is liable to fall sharply, say dealers.

Since the beginning of the year the price of gold has gone up by 15 per cent in dollar terms. By contrast, the gains in the Swiss franc, the German mark and the Japanese yen against the dollar have been cut back to between 2 and 3 per cent over the same period.
Gold mining 'revitalised'

JOHANNESBURG - With the free market price of gold a new and revitalised gold mining industry has emerged, which has characteristics and problems significantly different from those of the old and it has brought a field of challenges which put a premium on imaginative management.

Making this comment in his annual review for 1977, Mr. Julian Ogilvie Thompson, chairman of Anglo American Gold Investment Company (Amgold) said: "The industry's response to its new operating environment has been imaginative and provides ground for a long-term confidence."

Until the early 1970s the gold mining industry represented a quietly dying asset, having served its vital purpose in launching a strong self-supporting secondary industry in the republic.

Black labour

The supply of Black labour and in particular the aspirations of such labour, perhaps wrongly, has seldom been matters for concern. All these factors contrasted strongly with the industry of the new era which has now run for about five years.

"The new era calls for a different approach to gold mine management in response to its greater complexities."

"Forecasting and anticipation are now vital skills second only to the need for a greater sensitivity in labour relations."

The most distinctive problem of the new era had been the escalation in the costs of mining, he said. — (Sapa.)
sales likely soon
big us gold

BY JIM BROWN
WASHINGTON
Gold men disappointed

By MADGE SWINDELLS

DESPITE the 2.5 percent reduction in the 10 percent corporation tax surcharge, gold and diamond mining managements are still disappointed at the budget.

The budget, they say, did nothing about the discriminatory tax on gold and diamond mines. They had hoped that it would be either lifted or partially lifted after a number of applications which have been made by the Chamber of Mines to the Government's standing advisory committee on taxation policy.

Gold mines are taxed on a special formula based on profits. The higher the profits, the higher the rate of tax paid.

This tax can go as high as 80 percent of profits because the formula tax is based on income over revenue.

Recent increases received from the higher gold price are subject to payments to the fiscus for one reason or another of about 80 percent.

In addition the mines pay leasing rights to the Government similar to a royalty on the gold mined. The tax formula as applied to the taxable income of gold mines is a highly discriminatory surcharge on top of the compulsory loan levy.

Recently, Roy Plumbridge, deputy chairman of Gold Fields of South Africa, spoke of the "quite unacceptable discrimination against the country's single most important industry."

He added: "It is to be hoped that a more realistic approach to the whole question of gold mining taxation will soon be made by the authorities."

A by-product of the discriminatory tax laws for the mines is that it kills all incentive to cut costs on the mines. Indeed Plumbridge spoke of the "couldn't-care-less" attitude to cost control which the formula tax system generates.

As the tax is based on revenue over costs, mines pay less tax if they put as much as possible into their working costs.

However, informed sources at the mines state that this traditional state of affairs cannot continue. The whole business of mining gold has lately become a completely different ball game.

The main problem is vastly increasing production costs. Six of the 36 producing mines reflected a loss on operations in the last quarter of 1977.

If the gold price remains static and the present rate of production cost increases continues, all gold mines would become "marginal" within five years. Hence there is dire need to cut production costs—yet there is absolutely no incentive to do this, because any increasing profits are mainly absorbed by the fiscus.

Gold mines would have to be taxed like companies, and the industry feels it will be forced to make another representation to the Government this year in order to try for some relief from the discrimination.
Price of gold rises sharply

(London) Correspondent 7/4/78

LONDON — The gold price rose sharply, following better-than-expected auction results and a statement of U.S. Treasury Secretary Anthony Soloman's statement that no special gold sale was being planned immediately. The initial statement made bears on the New York futures market cover in swiftly and their purchases contributed to the sharp rise.

Earlier this week, gold slumped momentarily to 173 dollars in New York, following a prediction of Mr. Thomas Wolfe, former director of the Treasury office of domestic gold and silver operations. Mr. Wolfe forecast that a U.S. Treasury gold sale was imminent.

Mr. Soloman's statement squashed this view, but Mr. Wolfe still sticks to his guns and maintains that there will be a U.S. sale of a modest amount of gold within weeks, probably days.

Mr. Soloman certainly does not rule out the possibility of gold sales. Bullion dealers here say he reiterated that the U.S. Treasury policy is to sell gold from time to time.

The next important item on the currency gold agenda is an economic policy statement by President Carter, which is due next week. The expectation is that the President will lean towards wage and price controls — or at least an informal agreement.

Statements from Mr. William Miller, Federal Reserve Board chairman, indicate a tighter money policy will be pursued. Also some energy statement is likely. The gold and currency markets, however, have noted a warning of the U.S. Department of Commerce that the U.S. trade deficit will continue at 4.5 billion a month for some while.

Weak dollar

Not surprisingly, the dollar continues to trade in its weak sideways fashion, while U.S. stockbrokers like Merrill Lynch are recommending that their clients become more liquid.

Bullion dealers were satisfied with the auction results as bids amounted to 1,367 million ounces, showing that the auction price of 177.92 dollars is still a satisfactory level for the market.

London chartists say that the 184 to 185 dollar range is an important resistance area, otherwise gold will trade in the range 175 dollars to 185 dollars, which is still satisfactory for the producers.

Brokers report that gold shares were marked up sharply on the higher bullion price but the market remains very thin.

London bullion brokers, Sharpes Pixley however say "paradox seems to be the stuff of which the gold market is made and it occurs to us that it may be the very poor trade figures for February for the United States could bring an end to the 18-month bull market.

"Obviously, much will depend on the actions taken by the U.S. authorities, but the trade figures must, we believe, strengthen the hand of the anti-gold lobbyists and bring U.S. Treasury auctions one step nearer."
1. Where would this flow of income come from:
   (a) Overtime
   (b) Payments
   (c) Interest
   (d) Money
   (e) Purchases
   (f) Sales tax
   (g) University
   (h) Government

2. Think of the circular flow as a kind of economic bookkeeping. It shows what happens to the money people earn. The money is paid out in the form of payments. This money is earned by people when they work. A spinners was hired to produce a new model of a toy car. The spinners was paid $1200 per month. The toy company then paid the spinners $1200 per month. The spinners then spent this money on groceries and clothing. The money spent on groceries and clothing is then paid to the grocer and clothing store. This money is then spent by the grocer and clothing store on wages and salaries. The wages and salaries are then spent by the workers on goods and services. This process continues until the money is spent on goods and services. This is the circular flow of income.
Gold drops as US dithers on auction

Closing prices: London $179.50; Paris $180.87; Frankfurt $179.18; Zurich $179.125; Hong Kong $177.66.

The price fell to around $176.50/69 after the morning fixing but recovered later in quiet but nervous trading. Selling in the morning came from Swiss banks. The orders were prompted by the rise of the dollar against the Swiss franc.

Continuing pressure on the Norwegian and Danish crowns ahead of the European Economic Community summit meeting in Copenhagen pulled the dollar up against the mark, although trading was thin. The Bundesbank did not intervene when the dollar was fixed higher at 2.0109 marks against 1.9914 on Thursday.

In Washington, the US Treasury postponed a decision on whether to sell some of its gold to help bolster the dollar and reduce dependence on imported commercial gold. A decision to go ahead with gold sales, which would be the first since 1978, was on the imminence of the Treasury sources noticed until recently, it was learned from Treasury sources.

But it was first delayed because of the French elections. The reason for the new delay is not clear, but a Treasury official said a decision might be made within weeks.

Treasurer-undersecretary, Mr. Anthony Solomon, told reporters that the department was continuing to reassessing whether to sell more of its gold. But it was not planning a sale "right now." The amount of gold that would be sold, almost certainly through an auction to the public, would not exceed the 500,000 oz sold at the last Treasury auction in June, 1975.

Total US Government gold holdings total about 275 million oz, held at Fort Knox, Kentucky, and in other depositories. The worth is estimated at $50 million.

The gold backing deposits with Focom would remain the property of the depositor country, and would only be used if the system broke up and the depositor was unable to pay its debt. This would be a concrete means of mobilising the gold holdings of European central banks. To avoid EEC countries being accused of setting an official gold price, the ECI could be issued at 90% of the value backed by gold, based on the market price on the day of decision.

Reinforcing of European credit mechanisms is in line with the aim of reducing the dollar's role as an intervention currency, something desired by Europe and the United States. The difficulties of the dollar and the inconveniences these pose for European countries. A major pressure may lead to the reinforced European coalition as a less vulnerable to outside shocks.

BRUSSELS. — The European Monetary Cooperation Fund (Fecom) should issue short-term credits repayable at least in part in a European currency unit equal to the European unit of account and backed partly by gold, says the chairman of the European Economic Community Committee, Mr. Jacques van Eyssen.

He says in an article in the financial magazine "Trends" that the present system of paying back from Fecom debts according to the make-up of reserves, and therefore largely in dollars, is absurd.

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Gold backing for credits urged

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These are the weaknesses in the quantity theory:

(1) It is based on the equation of exchange which is a truisum and therefore it does not follow that there is a casual relationship between the variables.

(2) The direction of change need not be from M to P but from any variable to any other variable in the equation.

(3) Total spending not proportional to the increase in stock of money. Quantity theory assumed that all additional money will be spent at the same rate as before. But what if V changes and there is every reason to show that V is not stable especially in the short-run and can be volatile.

An increase in M can bring about a change in V in the same or the opposite direction. If M is increased it may result in V increasing as money is turned over at a faster rate, and go into idle hoards at a time when liquidity preference
HOLLARD STREET

This week sees to-and-fro gold share price

Gold shares dithered quietly throughout this week as the bullion price and rumour-mongers had their day.

This was most pronounced on the futures markets, where emotion and not facts dictated operations.

The Swiss decision to drop gold backing for its note issue was blown up by hours, and they were helped by contradictory announcements and conjectures about possible US gold sales.

The IMF auction took place in the midst of this, depressing the average price received. However, the spot price picked up, providing successful holders with a quick profit.

It has been anything but a good week for speculative mining counters. South Roodepoort shareholders got the bad news that underground development is being stopped. And stopping is to take place at a lower rate on remaining reserves and safety pillars. This could keep the mine going, possibly into the second half of next year, but prospects of any dividends seem negligible.

It was two years ago that shareholders rejected the Randfontein offer of R10 per share and they must be regretting their action.

Yesterday, Arikazi Shareholders announced that rising costs had changed the feasibility studies made last year for the worse and a decision on whether to go ahead was being deferred.

This news does not hold particularly well for other companies at present, assessing drilling results on potential uranium/gold undertakings. In any event, there seems no grounds for getting too excited over these for the time being at least.

Steam has also gone out of SA Lands, because results so far from drilling to the south have been disappointing. Exploration continues but hopes of a big new mine in the offing have become less sanguine.

Platinum shares have been dithering with the erratic movements in the metal price on the open market. Copper eased up at one stage on the higher LME price but have since faded.

Selected coal counters picked up on the news that Japanese consumers have agreed to a four percent increase on contract prices.

The modest boost given to industrials immediately after the Budget has petered out, with no interest being displayed by either the public or the institutions.

Tomass announced that it was not prepared to trade its 330 c a share bid for Primrose but the price moved up strongly, suggesting that there could be others in the hunt.
By Tony Hudson

SOUTH AFRICA should plan on an extended period of low growth rather than relying on gold rising to a level which could 'revitalise the economy,' says Hill Samuel in its latest Quarterly Review.

The review says that small gold price increases alone cannot compensate for capital outflows, rising imports and possibly lower export receipts and at the same time push up the reserves.

It says: "Even revalu ing the gold content of the reserves at market related prices, which is always a doubtful exercise, as the sale of such a large quantity of gold would inevitably have an adverse impact on price, would only increase the net reserves to a level which would cover less than three weeks' imports."

"Even if the increase in the reserves is maintained, it will take some time for a level to be reached which would normally be considered high enough to allow stimulation of the economy and it will also take time before the economy responds to the impact of rising reserves."

Hill Samuel says these factors, and the danger of relying on the price increase of one commodity for economic salvation, are probably responsible for a growing number of comments that conventional economic wisdom is wrong, that rising reserves are not that important and that the low level of reserves can be ignored.

The review points out that one of the dangers of stimulation of the economy is that imports will rise. However, because of the low level of the reserves, the Government cannot allow this to happen and would have to introduce import control as a protective measure.

Hill Samuel feels such a move could well bring reciprocal measures against South Africa, and, bearing in mind the current feeling about South Africa, could well lead to the introduction of sanctions.

The review says: "Those who believe it possible for us to retaliate, impose import control and totally ignore the external position of the country may think we can enjoy prosperity without having to pay a price. However, the account will be presented."

Hill Samuel concludes: "We can pray that the gold price will rise to levels that will save us, but it would be wiser if our plans were based on an extended period of low growth."
Taxes 'badly aligned' while introducing new form. This would nullify the aim of obtaining more money for the treasury.

Prof. Owen Horwood
Mozambique the loser

By GORDON KLING

THE revaluation of South Africa's gold reserves, announced yesterday in Parliament by the Minister of Finance, Senator O P F Horwood, amounts to little more than a book entry and has few practical implications.

Mozambique, however, will suffer because gold in part payment of miners' wages was sent there on the basis of the old valuation. This has been stopped, which means the end of the multibillion rand profits the Maputo government was able to realize by selling the gold at the much higher market price.

Widely expected by the financial community, the move follows abolition of the official price, which has long been virtually meaningless, by the International Monetary Fund on April 1. The rand, like currencies of all other Fund members, no longer has a gold parity.

The official price today is R141.97 an ounce which brings the gold reserves of the Reserve Bank, central government and the rest of the banking sector to R1.830m, compared with R.761m at the end of February.

The valuation method has been chosen to limit the effects of fluctuations in the gold price.

"If you do something you do it for a purpose. What is the purpose of this?" he was asked. A banker speculated that the artificial boost to the reserves could be used to assist the government in the repayment of loans.

France, Italy and Australia had already revalued their gold reserves on a market-based basis, said Senator Horwood, and he expected others to follow.

On the other hand, many countries would probably continue to value their reserves at the old official price, a 'practice which will no doubt be encouraged by those who wish to reduce the monetary value of gold'.

the villagers are some time reluctant to practice. The system is difficult to explain and the villagers are some-
Gold move is not ‘new wealth’

Political Staff

THE REVALUATION of South Africa’s gold reserves does not mean that the Minister of Finance, Senator Horwood, has created new wealth for South Africa — he was only creating new figures.

This warning was issued yesterday by the financial spokesman for the Opposition, Mr Harry Schwarz, who said the Progressive Federal Party supported the measure and had in fact done so last year.

"The revaluation will not have any meaningful effect on the economy. The actual value of our gold reserves remains the same. The profit shown on revaluation is merely a book or paper profit."

Mr Schwarz said that the gold price in recent times had shown itself to be volatile. "In view of this we doubt whether the basis of valuation is sufficiently conservative."

"The new basis of valuation appears to create a new factor for instability in the reserves which must now be studied, bearing in mind not only charged quantities, but changes basis of valuation. We would therefore have preferred to see a more conservative approach."

"The shock in the minister’s statement, however, comes in the statement of the amount owed by the Government to the Reserve Bank in respect of losses on foreign exchange holdings, gold transactions and foreign exchange contracts."

"While the public has realized that there were such losses, we doubt if the public knew the extent to which the minister was at risk."

"The figure of R1 134m is staggering and does not include contingent losses on unmaired foreign loans."

"The amount exceeds the book profit on the revaluation of the gold reserves of R1 068m excluding the profit of R62m still to be made on gold to be bought at a fixed price on the gold swap arrangements."

Mr Schwarz said that such losses should have been dealt with in the budget from time to time. "They now mean that the profit, when and if the gold in our reserves is sold, has already substantially been used and is not available to strengthen the economy."

"Now we see proof," said Mr Schwarz, "that the minister’s policy of stubbornly adhering to a fixed linking of the rand to the dollar has resulted in devaluation of our economy against many others, thus fueling inflation."

"We also see evidence that the Government has accumulated very large debts indeed in ‘hard currencies, thus causing these considerable losses.’"
Gold loses on profit-taking

LONDON. — The price of gold fell back in London yesterday after rising on disappointment at President Carter's anti-inflation speech.

Gold was fixed at $180 in the afternoon and at $180.70 in the morning. Tuesday's second fixing was $179.60.

Profit-taking brought the price back before noon yesterday to the afternoon fixing level in dull trading.

Dealers said that the after-effects of President Carter's statement might be felt in late buying from New York.

Operators found President Carter's statement unlikely to reverse fundamental United States economic problems.

Gold continues to fluctuate in a narrow range around $180 and dealers say there is no indication whether it will break out of this range.

After opening lower, the dollar extended its recovery...
Gold mines to save R108m

By DON ROBERTSON
Mining Editor

This gold mines will save about R108-million a year as a result of the change in the basis of deferred payment to Mozambique mine workers.

In terms of the Mozambique Convention, it was required that 60% of the wages earned by Mozambique labourers on gold mines be paid to Mozambique in gold at the official price.

Following the scrapping of the official gold price by the International Monetary Fund with effect from April 1, the South African Government is no longer required to pay this deferred portion of wages to the Mozambique Government in gold at the old official price of R29.55 ($34).

The Mozambique Government can, however, still require the deferred portion to be paid in gold, but this will be done at a free-market related price — about R156 ($180) on yesterday's fixing.

It was reported in Business Mail on Tuesday that the saving to mines, which took over this obligation from the Reserve Bank in September, 1976, would be about R20-million a year. This figure, however, related to an approximate amount of the total wage bill that would qualify for the gold clause.

Using a gold price of $170 an oz and based on the current Mozambique labour force of almost 36,000 and taking the average wage a month at R106, the actual saving will be about R108-million a year.

The actual figure is not revealed by the Chamber of Mines or by the South African Government, so all calculations are subject to guesswork.

All other terms of the Mozambique Convention, which was agreed to in 1928 and amended in 1940, remain in fact. This means that regulations governing the supply of labour to the mines have not changed.
SA plays the dangerous money game in piercing foreign loan barriers

By NEIL BEHRMANN

LONDON. — Anti-apartheid pressure groups are making it increasingly difficult for foreign banks to be openly associated with South African borrowers. But Swiss and London bankers say South Africans are still getting short-term finance.

The Minister of Finance, Senator Norwood, said in his Budget speech he was convinced that the Government would succeed in obtaining foreign loans on reasonable terms this financial year. He said: "I am not prepared to pay excessively high rates of interest on foreign loans offered to a country such as South Africa with its particularly impressive creditworthiness."

Foreign bankers partly agree with this statement. Bankers in the Euromarkets say deals must be done privately, and that they must stick to credits of up to a year.

A banker says: "Trade finance is available but there are few funds available for medium-term credits."

Events at last week's annual meeting of Barclays Bank sum up the situation for banks openly associated with South Africa.

Barclays chairman, Mr. Anthony Tuke, who believes the bank should remain in South Africa to help bring about change, was forced to admit that foreign loans to quasi-Government institutions, like Escom were decreasing.

Swiss bankers tell a similar story, although there have been recent medium-term credits to South Africa at well above average interest rates.

Swiss banks continue to supply South African borrowers with credit up to a year. Exposure to South Africa accounts for a small percentage of the loan portfolios of these banks.

The Swiss banks are not prepared to increase the limits on South African loans and the general impression is that they are already at the ceiling.

Some bankers concede in private that they prefer South Africa to Third World borrowers.

Swiss banks must ask permission from the central bank, the Swiss National Bank, if they lend more than 10 million Swiss francs to countries for longer than a year. And they find it difficult to get permission for loans above this amount.

Nevertheless, in the past few months both Escom and Iscor have raised medium-term credits in Swiss francs and German marks.

A Swiss banker says Escom raised a three-year 20-million Swiss franc loan. He says the Euromarkets' rates for five-year money, is around 3.5%, and British prime companies pay 4% to 4.5% on three-year loans denominated in Swiss francs.

Not surprisingly, the South African issue was snapped up in a short time. This proved that if the return is high enough, investors will accept South African loans.

Recently, the Financial Times reported a 20-million mark issue by Iscor. The average life was 3½ years at a rate of 7.75%. This compared with a five-year 50-million mark Thailand issue at a rate of 6.40%.

Shorter-term finance are worrying. Any industrialist knows the results of a financial policy which relies on short-term credit to finance long-term projects. If all goes well and money is freely available, then the credits can be rolled over. But in any credit contraction, one does not have to go further than the British secondary banking crisis, the recent South African banking fiasco and the 'Glen Anil' of this world to assess the conclusion.

Impressions from interviews with South African bankers are that they are dangerously complacent now that South Africa has achieved an impressive turnaround in the balance of payments current account.

Some overseas bankers believe that an answer to the problem is either a gold-backed loan or another effective gold swap agreement between the Reserve Bank and Swiss banks.

Without foreign capital, the growth rate lags.

In 1974, South Africa's gross domestic product grew by 7% in 1975, by 2.5%. In 1976 by 1.5%, and last year, in spite of the high gold price and improved exports, by a mere 0.7%.

> The March addition of the Banker, a confidential survey conducted by the magazine and the market research department of the Financial Times showed international bankers believed that African states and South Africa, together with Turkey and Commecon countries will experience greater borrowing difficulties in 1978.

In reply to a question on sovereign risk credit ratings, 12 South Africa was mentioned 11 times, followed by Turkey (9), Zaire (8), Peru, Poland and Zambia (4) when respondents were asked which countries were expected to face greater borrowing difficulties this year.

The Chairmen indicated that South African borrowers can raise medium-term finance in the harder currencies - at rates well above average.

As Senator Norwood says, the money is expensive - especially because the Rand, linked to the dollar, continues to devalue against these currencies.

But the potential problems of
Not quite. Officially, gold has lost its monetary role. But it is still an important store of value for many central banks

Gold has finally been "talked out" of the monetary system - more or less. Or to be more precise, the arrangements concluded in Jamaica in January 1976 to talk it out have finally been ratified. More than 80% of the IMF's members, measured by voting power, have finally agreed to accept the Fund's amended articles.

In doing so, they have abandoned the Bretton Woods articles of the Fund, which put gold at the centre of the international monetary system and accepted the new version which doesn't have any thing at the centre of the system at all except, unofficially, the sinking dollar.

The 1944 articles, it is worth recalling, expressed par values of currencies in terms of gold; deemed it to be the principal medium of international settlements; arranged for IMF quotas to be paid in gold, so building up the gold holdings which the IMF is now auctioning; and established the official price of $35, which formed the basis of the post-war dollar exchange standard. In other words, all currencies were convertible into gold via the dollar.

The 1976 articles hardly mention gold at all. Some minor sections provide for the Fund to sell gold for currency. Another allows the Fund to accept gold from a member in place of SDRs, an event as likely as the suspension of the laws of gravity, but a contingency, no doubt, which the bureaucrats of the IMF felt obliged to provide for.

So gold is finally dead — and the proof is that 80% of the IMF members have said it is. Whether it will disappear from the monetary system is another matter. For one thing, it still forms part of official reserves and is recorded as such in all the IMF's publications. What price it will be recorded at is obscure, and the IMF has given no guidance on this point. The hope clearly is that, like the unwanted wedding guest, it will just go away.

This, then, is the background to Finance Minister Horwood's revaluation of the SA gold reserves this week. SA, France, Italy and Australia have all revalued their gold reserves. The US and Germany say they won't; Holland, the UK and others may do. The don't knows and the IMF will probably record the number of ounces in their vaults without putting a value on them.

The method chosen by the Department of Finance for valuing SA's gold reserves — the average of the last 10 London fixings at the end of each month, less 10% — seems as good as any and has the virtue of flexibility. Its main effects will be:

- Termination of the "gold clause" agreement with Mozambique. Some wildly inaccurate estimates of the value to Mozambique of the facility have been aired. Best bet: R20m R25m (Current Affairs).
- The gold mines, when paid daily for the gold they sell — this is the implication of Horwood's statement that future the mines will receive the market price (official sideways) for all gold sold by them to the Reserve Bank. This replaces

Financial Mail April 14 1973

the old system of an initial payment of R29.55, followed by a monthly payment of the premium.
- Hence the Gold Price Adjustment Account. Even though the Reserve Bank might not sell the gold immediately, the mines will be credited a day in arrears. But the Reserve Bank is now trading for its own account, as any central bank since amendment of the IMF articles is entitled to do. Differences between the price at which the Reserve Bank sells and the price to the mines will be for the Reserve Bank's account.
- This incidentally could pave the way for a significant change in policy. Foreign gold dealers hint that the Reserve Bank could obtain keener quotes for gold on offer if it occasionally bought in the market. "like the Soviets." Even if this is seldom, it keeps the market guessing. But it has been impossible up to now because of adherence to the IMF rules against central bank gold purchases.

The "profit" of R1 690m on existing Reserve Bank stocks will offset past losses on forward exchange contracts of R1 134m and the "surplus" of R556m will be available for future losses.

Many people, not necessarily gold bugs, will regret the ending of the old IMF system, or at least, the stability it originally represented. But it proved unable to cope with the strains which developed in the Sixties and Seventies, arising first from the problems of sterling and later those of the dollar.

The S$4bn question (and it could be more) is whether central banks will use their new-found freedom to buy gold now that all impediments have been swept away. No major bank holding dollars has so far publicly said it will switch them into gold. None of those which is likely to do so privately will buy gold aggressively.

But the issue should be tested soon. The US Treasury continues to contemplate gold sales and there is some pressure within the US for it to do so. Will other central banks use such sales as an opportunity to diversify their assets? If they do, will this (at a suitable discount) underwrite the market?

We should know the answer by the end of this year at the latest.
As the Lemon's case showed, the New York Times was not alone in its efforts to protect the press from the government. In response to the government's actions, the New York Times initiated a campaign to raise awareness about the dangers of censorship and to defend the right of the press to report on important events. The campaign was led by the New York Times, and soon other newspapers joined in, forming a united front against the government's policies. The campaign was successful, and in the end, the government backed off, realizing that the press was a vital part of a free society. It was a victory for the New York Times and for journalism as a whole.
R850 m gold output record opens 1978

By HOWARD PREECE
Financial Editor

SOUTH AFRICA'S gold output reached a record of about R850 million in the first three months of this year.

The previous best quarter, according to official Reserve Bank figures, was September-December, 1977, when the figure was R817 million.

It was only R609 million in the first quarter of 1977. The surge in the gold price was obviously the reason for the record output by value for January to March this year.

But it was also helped by a modest increase in the quantity of gold production. This reversed for the first time in 10 years a pattern of declining output. The higher output reflects the unusually satisfactory labour situation on the mines. It also indicates that cost pressures are keeping up grades even with the higher gold price.

In 1971,111,111,111 January to March this year gold output was 5,436,503 ounces. That compares with 5,262,355 ounces in the first quarter of 1977.

The table shows the declining pattern of gold production over the 1970s.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Gold Output (oz)</th>
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<tr>
<td>Jan-March 1972</td>
<td>5,179,741</td>
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<tr>
<td>Jan-March 1973</td>
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<td>Jan-March 1980</td>
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Going back a decade, production in the first quarter of 1968 was 7,606,972 oz. That means that even with the marginal lift for January to March 1978, against 1977 output is about 27.5% down on 10 years ago.

Output in January this year was 1,795,551 oz; in February 1,512,530 oz; and in March 1,595,700 oz.

Average gold prices in those months were approximately R173.20, R176.10 and R183.70.

That gives a figure for gold output of about R850 million less sales costs and commissions which would bring it ot around R850 million. The highest annual value of gold output was in 1977 when it totalled R795 million against the previous best of R656 million in 1974. Although the gold price has slipped in the past few days as fears grow of gold sales by the United States, the prospect remains excellent for a record 1978.

Output in the first quarter of the year is traditionally below the average for the full year. Even if the price were to average no more than R100 from April to December, gold output for 1978 would be over R330 million.

The surge in gold output is a reflection of the recovery in the mining sector, which has been helped by the appreciation of the rand against the dollar. The recovery in the mining sector has been helped by the appreciation of the rand against the dollar.

The Rand Newspapers are printed by the Rand Daily News and the Rand Daily Star.
SA gets set for lower gold price

Michael Chester
Financial Editor

South African gold producers today braced themselves for a lower bullion price on world markets on news that the United States Treasury plans a series of gold auctions to bolster the ailing dollar.

The London price slipped from 174.50 dollars to 170.25 dollars an ounce today and followed on down in Zurich, too. The dollar simultaneously showed sharp increases in reaction to the Washington announcement.

The US will dig into its vast stockpile at Fort Knox to sell 300 000 ounces every month — worth around R46-million a time at current prices — beginning May 23.

Added to the 500 000 ounces being auctioned each month by the International Monetary Fund to aid the poorer nations, it means the big sales from stocks will now be running at nearly half the pace of South African gold production.

However, spokesmen at the Chamber of Mines in Johannesburg today that world demand was likely to match the extra flood of bullion in the longer term.

US gold sales start in May — Page 23.
Unicorn gold mines suffer as costs bite

By Don Robertson

UNION Corporation group mines, renowned for their efficiency, have shown best the crucial relationship between costs milled and rising costs of all the mines that have reported for the March quarter.

With the exception of Marmorale, whose tonnage milled was unchanged, and Leslie which showed a moderate increase, costs of all mines have risen, thus slowing revenue and margins.

St. Helen's cost rise in the quarter was 5.7% and at the marginal Grootfontein, the rise was 11.4%. At the annual meeting, the chairman of Grootfontein, Mr. J. W. P. van den Bosch said that while margins were unlikely to be kept below 18% for the full year.

The lower or maintained tonnages, higher costs and generally lower recovery grades also affected profits at the group's mines.

Leslie put up the best performance of the group. Although grade was down, the higher tonnage milled helped to keep gold production at around the previous quarter's levels.

A higher gold price, which average $192.91 an oz, and a reduction in costs, more than offset slightly lower gold production and raised profits to $159 500 from $152 000.

In development work, only 14% of the 143 in sampled proved payable at 1 000 g/t. St. Helena, the group's largest mine, suffered from a cut in grade, a decline in tonnage milled and a rise in costs.

The decline in grade resulted largely from an accident at the mine during March which necessitated milling of ore from surface dumps. Nevertheless, grade has been declining steadily.

Development results were encouraging with 30% of the ore milled samples proving payable at 1 000 g/t. In the third quarter, the channel width was down to $27 500 compared with $145 000.

Groutfontein, which has a life of about four years at a price of $300, did well, although profits dipped to $1 108 000 from $1 331 500.

Mullbrook, which was down, and although grade was maintained at 4.23 g/t, costs rose substantially.

The mine has limited quantities of reasonable grade ore available, although reserves have been valued at 125.

Development results show values of $24.2 g/t, but over the channel width of 3 cm, these apparent high values are substantially diluted in number.

Marinvalle cut costs, but with grade falling from 2.80 g/t, the 1 100 g/t gold production was affected on the unchanged mill throughput.

Working profits were marginally down, but following the sale to the Government of part of the company's property, the tax rate was increased, resulting in a decline in taxed profits of $147 000 from $146 000.

Broomfield held costs on tonnage milled which was only marginally lower and on an unchanged recovery grade.

With the gold price received well up on the previous quarter, working profits improved. An increase in sandy reserves helped to make taxed profit $1 403 000 compared with $1 346 000.

Kinnia maintained the image of the Finder producers by holding tonnage milled, grade and gold production. However, costs rose by 4.6% which left the working profit slightly down.

Taxed profit was $1 144 000.
US gold sales start in May

Hugh Robertson

WASHINGTON — The United States has decided to sell quantities of its gold stocks at monthly auctions, the Treasury announced yesterday.

The first auction is to take place on May 23, and the sales are to continue indefinitely, with about 300,000 ounces being auctioned at each of the first six sales.

In a statement, the Treasury said the gold sales "would have the effect of reducing the US trade deficit either by increasing exports of gold, or by reducing imports of that commodity."

The statement added "the sales will also further the US desire to continue progress towards the elimination of the international monetary role of gold."

Yesterday's announcement follows international concern over soaring US trade deficits, sharp drops in the value of the US dollar in relation to other currencies, especially the Japanese yen and the Deutschemark, and rising domestic inflation.

Treasury officials said that the gold sales would initially be in US dollars, with the intention of mopping up excess dollars on international markets, but that the Treasury would study the possibility of conducting sales in Deutschemarks at a later date.

"The Treasury expects to review the experience at these auctions to determine whether the amounts to be offered at succeeding auctions should be altered," a spokesman said.

Bids by and on behalf of foreign governments and central banks would not knowingly be accepted, he added.

Formal invitations to bid in the first auction would be issued within 10 days.

The US currently owns about 277,950,000 ounces of gold which is stored at Fort Knox, Kentucky.

The last gold auctions in the US were in 1975 when two quantities — 734,000 ounces and 489,000 ounces — were sold in two separate auctions.

The Treasury announcement came after the closing of West Coast markets and before the opening of European gold markets and stock exchanges.

IMF spokesmen were not available for comment on the US decision. The IMF conducts its own gold auctions as part of a plan to raise capital for the most economically backward countries.

South African financial spokesmen in Washington and New York were likewise not available for comment.
Gold calm after the US shock

By HOWARD PREECE

GOLD fell $1.10 in London yesterday to $166.50 an ounce, according to dealers, after rising to $168.50 after the announcement that the United States will accumulate 300,000 ounces a month for six months beginning May 23.

There was no panic in the market, however, and dealers in London and Zurich believe the price will stabilise at or above $165.

Gold closed at $168.50/$160 in London, indicating an early return to calm.

Senator Owen Horwood, the Minister of Finance, said in Cape Town that although the gold price might decline temporarily, the effect of United States sales had already been partially discounted.

Anticipation of United States sales has helped push the price down from $180 on March 8.

A $10 move in the gold price means about $200 million a year to South Africa.

The morning fixing in London yesterday was $169.70 after Wednesday's second fixing of $174.65.

The dollar strengthened on foreign exchange markets following the rand up with it — and was $1.83 against the pound.

But the only logic for this can be the promise of further meaningful United States action to help the dollar.

The impact of the gold sale on the United States balance of payments will be minimal — suggesting that the main American motive is really to emphasise United State dislike of a weak currency role by gold.

It is possible, of course, that United States hostility to South Africa is also a factor.

The United States Administration said the purpose of the auctions was to help reduce the trade deficit.

But the sale of a total of 1,800,000 oz of gold would only net about $315-million — a sum having little impact on the deficit which is expected this year to exceed the $277,000-million of 1977.

Senator Horwood said the market should be able to absorb the additional supply without too much difficulty.

In the medium and long-term, the gold price would probably be influenced more by factors other than the United States sales.

"Such other effects include the United States balance of payments deficit and world inflation, and these are circumstances which strengthen gold's position in the market.

"Contrary to what the Americans say, the decision by the United States to sell gold in support of the dollar clearly underlines the significance of gold's continued monetary role.

"It proves that gold still has great monetary significance, quite apart from being a greatly desired store of value."

It had to be remembered that under the new International Monetary Fund articles, monetary authorities were legally entitled to buy gold at the market-related prices and under present circumstances were likely to do so on an increasing scale.

"In short, though the gold price will fluctuate in the short run, the longer run prospects for gold remain positive and favourable."

The United States Assistant Treasury Secretary for International Affairs, Mr. C. Fred Bergsten, said the plan to sell gold was part of the overall plan to improve the trade balance and the value of the dollar.

He said the other components of this plan were action, either legislative or administrative, on energy imports, tough action on inflation and a vigorous promotion of exports.

NEIL BEHRMANN reports from London that the view among Swiss and London gold dealers is that the market has discounted the sale.

The Swiss believe that a support range is around $170, and the low would be around $165. They had evidence of industrial buying at lower levels.

London dealers said the Swiss had long positions in gold and were anxious to talk it up.

They saw little evidence of industrial buying, and noted that gold is entering a quiet period in terms of industrial demand.

A Swiss banker, who was bearish when gold was above $180, said that this would be a good time to buy gold.

He estimated firm support at $175, and said that uncertainty over the gold sales was out of the way.

A London dealer said gold was entering a traditionally quiet period, with European industrial demand slack.

Industrial demand in the United States was lower, too. But he agreed with the Swiss that gold would find a base around $185 to $170.

The dollar rose above 224 yen above 1.06 to the Swiss franc and above 2.06 against the mark.
Gold price falls as US announces auctions

The gold price fell to 168.55 dollars an ounce on the London market, compared with 168.50 dollars on Tuesday. The dollar strengthened against the pound.

The dollar strengthened against the pound. The pound weakened against the euro.

The dollar strengthened against the yen. The yen weakened against the dollar.

The dollar strengthened against the Australian dollar. The Australian dollar weakened against the dollar.

The dollar strengthened against the Canadian dollar. The Canadian dollar weakened against the dollar.

The dollar strengthened against the Mexican peso. The Mexican peso weakened against the dollar.

The dollar strengthened against the South African rand. The South African rand weakened against the dollar.

The dollar strengthened against the Turkish lira. The Turkish lira weakened against the dollar.

The dollar strengthened against the Brazilian real. The Brazilian real weakened against the dollar.
The Reserve Bank is not expected to change its policy of selling sell weekly gold production, say banking sources.

Their prediction follows the United States Treasury decision to sell 300,000 oz of gold monthly from May 23 for at least six months.

Official South African sources say United States sales were expected and monthly sales of 300,000 oz will be absorbed readily in the market.

The American decision will remove uncertainty from the market.

"The South African sources are relieved that only 300,000 oz will be sold each month.

South Africa sells 300,000 oz to 450,000 oz a week.

Banks say if the gold price falls from present levels, industrial demand will build up.

It is expected that the gold price will move considerably higher towards the end of the year, so there could be some stockpiling by big industrial users and the banks that supply them, especially if the view is taken that price levels reacting to the United States announcement are likely to be the lows for the year.

South African sources are astonished at the United States Treasury's statement that central banks bids will not knowingly be accepted.

Now that the International Monetary Fund's articles allowing central bank purchases and sales of gold have been ratified, it is considered likely that some central banks will take the opportunity, however small, of reducing their dollar holdings through purchases through gold dealers.

A spokesman for International Gold Corporation said Krugerrand sales in the United States has slowed as the price moved away from $180, and this might continue if the gold price continued to weaken.

The Treasury Department said in Washington that the auctions would have the effect of reducing the United States trade deficit either by increasing exports of gold or by reducing imports of that commodity.

The sales "would also further the United States desire to continue progress toward the elimination of the international monetary role of gold."

Bids by foreign government or central banks would not knowingly be accepted. The sales would take place on the third Tuesday of every month by competitive bids and payment would be in dollars.

The Treasury would review its experience at the auctions to determine whether the amount of gold offered should be changed, and whether or not to accept marks in payment.

All bidders would be required to offer a deposit of $10 an oz and the minimum bid would be for 400 oz.

At its two gold auctions in 1975, the United States sold 764,500 oz and 499,900 oz in January and June respectively.

Zurich dealers say the amount of United States gold on offer is relatively small, and should be easily absorbed by the market.

The auctions should not put lasting pressure on the gold price.

The six-monthly sales would give a new offering of not much more than 50 tons.

This is much less than Portugal sold last year, and a small percentage of last year's offering of 1,600 tons.

Once the initial shock has passed, the price should recover.

The auction intention was formally agreed to under the United States-German monetary accord of March 15, says a West German Ministry of Finance spokesman.

The Minister of Finance, Mr. Hans Matthaeus, welcomes the auctions.

He says they will contribute to a stabilisation of the dollar.

German monetary officials have been expressing confidence for some weeks that the United States would sell gold to back up the other dollar support measures contained in the United States-German agreement.

But the Americans preferred to delay an announcement until after the French parliamentary elections, bearing in mind their effect on the gold price.

Japanese Finance Ministry officials say the decision is a sign that Washington is willing to defend the dollar.

But they say the amounts to be sold are lower than expected.

They predict the United States will auction additional gold. — Reuters.
Street. Taken together, all of these moves will tend to improve the dollar’s relative attractions and reduce gold’s.

US metals specialist Charles Stahl has told newsletter readers that the potential revenues from the sales might cut the American trade deficit by 2.5%. This admittedly modest aid, plus improved prospects for President Carter’s energy conservation legislation, means the dollar will probably improve during the months ahead, he says. That has important consequences for SA.

Gold is still SA’s major export. Should the recently rising price trend now level off, it is hard to see how the economy will manage to climb out of its trough. That could have repercussions for the rand’s exchange rate.

But perhaps that is putting too dim a hue on developments. Gold market sources are not overly pessimistic. Feeling in the London market is that, while gold is now unlikely to break the magic $200 an ounce barrier it was approaching a few weeks back, the downside risk is still fairly small.

The principal argument is that the US has no real interest in seeing the gold price fall too far, and that, if this seemed likely, other central banks, who can now legally buy gold in the private market, might step in and support the price. Already Japan has announced that it might buy.

A big gold price fall, it is said, would reduce the US Treasury’s proceeds from the sales and thus frustrate the purpose of the exercise. There will also be strong Third World complaints if the US knocks down the gold price and so reduces the proceeds from the parallel International Monetary Fund gold auctions, part of which are being given to the poorest developing countries.

Moreover, jewellery demand for gold is extremely responsive to price changes. A modest fall in price caused by the US sales could prompt a considerable upsurge in jewellery demand, so underpinning the price.

Stahl does not believe the long-range prospects for the gold price are much changed from the $160 to $190 range. Another US analyst, Thomas Wolfe, of Washington, agrees with him.

That is probably as good a forecast as any and it will find a receptive audience here in SA. Uncertainty, however, will persist. Because one thing the US sales announcement has done is to remind everyone just how large world stocks of gold actually are: at the latest count, they were about one billion ounces, which is equal to about 40 years’ SA production. That’s an enormous overhang, and it won’t go away.
Effect 'temporary,' says Horwood

U.S. gold sales may drop price

Political Correspondent

CAPE TOWN — America's decision to sell gold in support of the dollar was expected to drop the metal's price "temporarily," Senator Owen Horwood, Minister of Finance, said yesterday. He added that the long and medium-term behaviours of the metal would be influenced by other factors.

"America's decision also underlined the significance of gold's continued monetary role.

"The announcement is not unexpected," said Senator Horwood.

"The gold price might well decline temporarily, but the effect of U.S. gold sales on the market has already been partially discounted."

He said that the announcement had removed the uncertainty about gold sales policy which had had a detrimental effect on the market. It was a limited programme but would increase the supply of gold on the market.

Extra sales

"The market should be able to absorb the additional sales without too much difficulty," he said.

"In the medium and long term, the behaviour of the gold price will probably be influenced more by other factors than by the U.S. gold sales. Other effects include the U.S. balance of payments deficit and world inflation and these are circumstances which strengthen gold's position in the market."

Contrary to what the Americans say, the decision by the U.S. to sell gold in support of the dollar, clearly underlines the significance of gold's continued monetary role.

"It proves that gold still has great monetary significance, quite apart from being a greatly desired store of value."

"Though the gold price will fluctuate in the short run, the longer-run prospects for gold remain positive and favourable."

Trade deficit

The United States will begin selling gold next month in an effort to reduce the country's trade deficit and bolster the dollar, the Treasury Department said on Wednesday according to Sapa-AP.

The last time some of the country's gold was placed on the public market was in 1973.

The department said it had been asked the General Services Administration to begin a series of six monthly gold auctions beginning on May 23, with about 300,000 ounces of gold to be sold at each auction.

A treasury spokesman, Mr. Joe Laitin said the department would "review the experience of these auctions to determine whether the amounts to be offered at succeeding auctions should be altered."
Gold bears in control

LONDON. — Bears pushed gold lower again in London yesterday. It was fixed at $168.65 in the afternoon and at $168 in the morning. Monday's second fixing was $168.75.

Trading was listless yesterday. The bear factors are the firmer and the cumulative effects of prospective United States and Indian gold auctions. Early indications from the United States are equally dull, in spite of a small amount of short-covering.

NEIL BEHRMANN reports that London bullion dealers are not worried about the effect of India's plans to sell gold. Had the announcement come in a buoyant market, it would have had no impact.

But with gold in a downward trend, the announcement did have a psychological effect.

One dealer said that United States gold consumption was low, and as yet he had not seen any increase in purchases from the Middle East.

According to Samuel Montagu, last year's total off take by the Indian subcontinent totalled 69 tons. The Indian Government plans to sell 70 tons in seven fortnightly auctions, but the auctions are unlikely to hit the international market.

Most bullion dealers believe smuggling will continue into India. Gold imports into India are banned, and the local price is equivalent to $220.

* * *

The price of gold would drop or move sideways in the next four to six months, Dr Martin van den Berg, managing director of the discount house, Interbank, said in Johannesburg yesterday.

He told a meeting of the Johannesburg Sokolokamer that in the next few months the price would have to increase. Over 12 months the price on average would be higher than now.

"But the whole situation can be upset by the oil sheiks. If they decided that they would rather have gold than dollars, the whole position could change overnight."

Four factors could influence the price of gold over the next 12 months. The most important was the way President Carter tried to solve the American economic problem.

Whatever he decided would influence people who were hoarding gold; people and institutions who were investing in gold; and the policy of the International Monetary Fund.

The price of gold would largely be established by psychological influences. President Carter would have to create greater internal growth and more job opportunities without increasing the rate of inflation or the deficit in the balance of payments. Furthermore he would have to prevent the tendency to change the $90 000-million Eurodollars into gold.
Gold over $170

By PAUL DOLD
Financial Editor

BULLION spurted at the close in London last night, breaching the $170 level as the dollar weakened after the United States trade figures.

Gold closed at $170.60 in London and $170.75 in Zurich. Dealers were cautious, however, attributing the late strength to the dollar's weakness and stressing that trading was moderate. The higher price did not reflect a significant increase in buying demand.

The London and Zurich markets moved up following the higher opening of United States futures markets. The Comex June contract was $170.50-171 while the IMM contract was $170.90-171, a gain of $1.40-1.50.

Japan's imports

Meanwhile it has been estimated in Tokyo that Japan's gold imports for the fiscal year 1978 may increase at least 10 percent. Imports last year were 50 tonnes.

One of the leading gold dealers, which accounts for 25 percent of Japan's imports, says the trading houses and dealers can now import more gold than is actually needed by users and hoarders. This flows from new measures allowing the export of gold freely.

Imports can now hedge on foreign exchange markets against import purchases of gold. One of the large trading houses told Reuters yesterday that it expects a hefty increase in its gold business under the new export liberalization measures. The company handles 20 percent of imports.

There is still no further news on the plan by Japan's Trade and Industry Ministry to stockpile gold but evidently the scheme is meeting opposition from the Finance Ministry.

And there was bullish news from London as well yesterday. Charter Consolidated, in its latest study forecasts that gold will advance beyond the $180 mark this year even without further increases in demand from speculators and investors.

Charter says the market seems capable of coping with a reasonable increase in net official supplies, although fears of increased official sales are having a depressing influence on the market.

Production should rise this year compared with 1977 and Eastern block sales are assumed to be similar to those of the past two years.
Mine pay dispute on union agenda

Labour Reporter

The Council of Mining Unions today takes the first step towards arbitration or a strike over the mining industry's pay dispute.

The move follows the failure of the Chamber of Mines to increase its offer of a five percent pay rise plus an additional one percent in pension contributions.

The council met today to draft a memorandum to accompany its application to the Minister of Labour for a conciliation board.

The step provides for cooling off periods and for further negotiation. The council had given the chamber until yesterday to meet its demands of a 15 percent pay rise — IR30 more in every union member's monthly pay — "additional fringe benefits.

Union members on the mines had suffered a loss of 21.2 percent in real income over the past three years, Mr. Ben Nicholson, vice-chairman of the council, said.

Mr. P.J. Paulus of the Mine Workers' Union said the increase in the gold price from about 100 dollars to 180 dollars an ounce since last year's negotiations had put the chamber into a better position to grant increases.

In view of mining profits, the chamber's offer could only be described as "disgraceful," Mr. Paulus said.
Gold’s alive and well at $173.30

By NEIL BEHRMANN

LONDON. — The gold price rallied in London yesterday after the International Monetary Fund auction and was fixed at $173.30 in the afternoon and $173.85 in the morning.

Trading was surprisingly high given that other European markets were closed.

The IMF received bids for 3,100,000 oz for the $24,000 oz on offer. The IMF awarded the gold at $170.40.

One London dealer said the result put a completely different complexion on the market. There were many short positions, and when the price crept through $170 the day before the auction, some speculators decided to cover in.

Another dealer cautioned that many bids were made at prices ranging from $160 to $170. In particular, Hong Kong had been selling gold short, and these operators swiftly bought to cover their sales. The market was thus experiencing a technical rally, but he expected the price to moderate ahead of the United States Treasury auction and the seasonal lull in the market.

The Indian auction had little impact. Some analysts believe the Indian Government merely arbitraged the gold by buying it on the free market and selling it at a turn on the Indian domestic market. Others believe the Indian Government is selling gold confiscated from smugglers.

Results of the Indian Reserve Bank’s sales are expected today.

Officials declined to disclose the number of bids received in the first of the seven fortnightly auctions, reports Reuters.

Hong Kong dealers considered the IMF sale to be good for gold. Both the average and cut-off prices, at $170.40 and $170.11, respectively, were above expectations.

The quantity bid for was the highest since December, 1976 and the fourth largest.

The General Services Administration says the opening monthly United States auction on May 25 will comprise 300,000 oz in 400 oz bars, minimum bid one bar.

The auction will be based on the bid-price method, with the government setting the minimum price. All acceptable bids will have to be at or above this level.

Bid deposit is $10 an oz.

Bids by or on behalf of foreign governments or official foreign or international monetary institutions will not be accepted.
Gold steady, dollar strong, sterling slumps

LONDON. — The gold price rose in London yesterday and the dollar strengthened. The pound lost further ground.

Gold was fixed at $171.70 in the afternoon and at $172.15 in the morning. Monday's second fixing was $172.20.

Gold closed at $172.50.

The rise was mainly on the strength of buying from New York, although the market's current uncertainty was reflected during the 35-minute second fixing by the fluctuations of the price in a 5c range between $172.40 and $172.80.

The dollar continued to advance against leading currencies, and particularly against sterling, which weakened on a Government defeat in a Budget vote in Parliament on Monday night.

Although indications of firmer United States interest rates and the prospect of static oil prices this year were cited as reasons for the dollar's strength, dealers were unable to account fully for its steepening rise.

The dollar gains over the mark 2.0685 (2.0925), Swiss franc 1.9850 (1.9730), the guilder 2.2405 (2.2350) and French franc 4.7865 (4.7825).

The yen at 225.80 (225.10), gave up a little more against the dollar.

Already weakened by Monday's announcement that Britain's wholesale price index rose 0.75% in April, sterling fell in value against the dollar, the mark and the French franc.
$1.0 to $2.0 an ounce more for mines

By ADAM PAYNE

GOLD revenue received by the mines in the June quarter is likely to be $10 to $20 an oz higher than the average market price for the three months. This will give a boost to profits and short-term dividend prospects, says a Johannesburg broking firm, David Borkum Hare, in an analysis carried out under the direction of Mr Angus Robertson.

The average free-market price in April was $175 an oz, and assuming the price stays between $170 and $175, the mines will receive about $135 an ounce in the current quarter because of the new system of payment by the Reserve Bank.

It will be a non-recurring bonanza, arising from the immediate payment at the full market price on delivery of gold, instead of a delayed premium payment, about two weeks after delivery under the old system.

Looking beyond short-term dividend prospects, the brokers forecast that European central banks, which can now buy and sell gold on the market, will play a more positive role in promoting an orderly market.

The brokers' short list of recommended gold mine investments is headed by Hartbeesfontein with a current yield of 8.1%, followed by Randfontein 6.5%, Vaal Reefs 5.7%, President Steyn 4.4%, and Kloof 3.8% as recovery stocks, and Kusene 4%, as a mine with possibilities of mining an enriched area shortly.

David Borkum believes it is unlikely that mines with a September year-end will receive less than the average to the end of March of $175, and that the average revenue received in the calendar year by mines declaring dividends in June and December is unlikely to be less than $100 an oz for the first half of the year and possibly for the full year.

The brokers are confident about the gold price and consider a setback from $170 unlikely in the near future.

Their survey advises clients that investments are better confined to mines operating at a relatively low cost an oz, unless they expect a major increase in the gold price in the near future.

On individual mines, it says the borehole picture for Kandersteg is more convincing than that for Doelraad.

In both mines the indications are that the high-value zones lying at a medium depth will not be opened up to a major extent until subvertical shafts are operating.

Doelraad will not become liable for tax until aggregate profits are well in excess of R150-million and Kandersteg R250-million, so allowing for a period of high dividends.

The brokers look at Unisel as an "interesting speculative share" and say Ergo should continue to attract a pool following because of good medium-term prospects.

Discussing mines with an important uranium contribution, they say the uranium profits provide useful reductions in the cost per oz of gold produced. These reductions would be equivalent to about 2 1/2% at Buttefontein, $20 an oz at Harmony, $10 at Hartbeesfontein, $8 at Southdene and $7 at Vaal Reefs.

In time, the uranium contribution at Buttefontein is likely to rise from $3 to more than $10 an oz; at Southdene to about $10 and at Vaal Reefs to about $25.

The uranium contribution at Harmony may decline when the stocks of low-cost uranium oxide has been fully realised.

There is the possibility of considerable improvements in Randfontein and Southdene dividends, when current expansion programmes are fully operative.

Vaal Reefs stands to benefit from the Southdene expansion and also the expansion of its own uranium capacity.

Buttefontein is faced with heavy capital spending on a new shaft system, which will have a limiting effect on dividends.
Gold higher in Swiss franc, mark terms

By NEIL BEHRMANN

LONDON. - In spite of the improvement of the dollar and the buoyant New York stock market the gold price rose again yesterday.

In the morning it was fixed at $175 and in the afternoon at $175,50. Last Friday's second fixing was $174,70.

International markets are confusing investment analysts. Wall Street is rising in spite of higher interest rates and the expectations that they will increase further in the next few months.

The London share market is also firm in spite of higher British interest rates and pressure on sterling.

And in the face of a firmer dollar, an upward trend in interest rates and the attractions of alternative investments, such as Wall Street, the gold price has improve steadily over the past week.

Analysts and dealers say gold is improving in terms of Swiss francs, marks, sterling and yen.

Closing prices: London, $175,75; holidays in Paris, Frankfurt and Zurich; Hong Kong $172,65.

In the past month gold fell from $178 to $169 on the United States auction announcement and recovered to $175. In dollar terms the net fall is 1.75. But in Swiss francs, gold has increased from 322 Swiss francs an ounce to 348 francs an ounce — an appreciation of 4.5%.

In marks gold rose by 3% and in sterling terms by 1%.

Gold has thus, in a few weeks proved to be a reasonable hedge against currency depreciation, especially for those not convinced about the long-term potential of the dollar.

Hong Kong has covered short sales.

There have been reports that the Indian Government will buy 5 million oz of gold on the free market. At the time of the Indian gold sales announcement the market weakened. It was assumed that Indian gold sales would reduce the demand from the free market.

But recent reports indicate that this is not the case. Instead, India will buy gold on the free market and resell at much higher prices in India.

One unconfirmed report says the International Monetary Fund will reduce the quantity of gold sold at IMF auctions from 525 000 oz to 470 000 oz.

Gold analysts say that in the first two years of auctions, the IMF should have sold 12 500 000 oz of gold, but actual sales amounted to 12 250 000 oz.

With 50 000 oz of excess gold sold at the auctions, there could be a one-time reduction at a future sale.

More significant is a report that the IMF will allow Third World nations to buy gold directly at IMF auctions.

James Capel links the extraordinary demand for gold at the IMF auctions with central bank buying.

"It is probably no coincidence that this was effectively the first ation where the central banks could buy the only chance of acquiring large quantities of gold without shifting the price is to bid at the auctions," say the brokers.

We spoke to the gold experts at Consolidated Gold Fields to see if they had any reason to change their published forecast that the gold price would average between $180 and $190 during 1978.

"On balance, we felt that, although there might be some weakness in the summer, it would not be significant and that there was no reason to change their forecast."

The brokers says the gold price has averaged $174 this year. To achieve the Gold Fields forecast, a price approaching $230 would have to be reached in the final quarter this year.
The 55,000 oz. “sell aside” declared by the International Monetary Fund for the June 7 billion sale is a gold dividend for the poorer developed countries. The IMF's June sale marks the beginning of the third year of monthly auctions and the beginning of new sale rules under the fund’s newly ratified articles of agreement. One of the new rules is that instead of the traditional 525,000 oz. public offering, the fund will offer only 470,000 oz. to dealers, industrial buyers and private investors.

The 55,000 oz. difference will be set aside for non-competitive bids from the 104 poorer IMF member nations that want to take their share of profits from the previous two years of sales in billion form rather than in currencies.

The scheme is based on an original plan of the fund dating back to May 1976. It was then agreed that one-half of all “profits” from the sales would be distributed to the 101 poorer nations according to their IMF quotas.

As for the gold market, the 55,000 oz. a month that will not be sold largely off sets, to begin with, the 300,000 oz. the US Treasury will offer on May 23 and periodically thereafter, but the cumulative effect on world gold supply may in the longer term be more dramatic.

The amount of gold that the eligible nations can claim over the next two years could be as much as 6.75m oz. Some of the nations which could make large claims include India (800,000 oz.), Poland (300,000 oz.), Egypt (160,000 oz.) andッ Italy (135,000 oz.).

Obviously not all of the nations will claim gold. Fund officials are specifically hoping that Saudi Arabia and other Arab nations that are still classed among the “developing” bloc will not exercise their privilege. But should the demand by the poor nations exceed the 55,000 oz. set-aside monthly, more reductions in the amount offered each month will have to be made.

The new IMF rules also allow the central banks of all nations—rich or poor—to bid for gold on a competitive basis from the June 7 sale onwards. The trend in that offering will be closely watched.

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**FIG. 1**

**DIAGRAM OF A HOSTEL IN I**

**CLOSED ROOM KITCHEN**

**FIG. 2**

**COOKING AREA IN EMPLOYERS’ DORMATORIES IN LAGOS**
HIERDIE week begin die nuwe reeks veillings uit Amerika se amptelike goudvoorraad van oor die R9 biljoen. Omstandiglik is daar wêreldwyd bespiegelinge of goud ook met weerslae oor hierdie hoë hekkie sal kan kom. Dit, en die nuus van 'n goud-dolheid op die mark in die Verre Ooste, het finansiële waarnemers in Londen vandeesweek die meriete van dié metaal weer sterk onder die soeklig lant plaas.

Die algemene gevoel is dat goud oor die Amerikaanse versperring sal kom en insig wil by op sy teile van 200 dollar, wat die bul-mark vroeër van jaar-voorspel het. Die algemene bestendigheid van die goudprys van die Maand. gees en rode tot optimisme.

Leith McGrandle, ekonomiese redakteur van die Londense Evening Standard, skryf vandeesweek dat 'n mens moet toegee dat daar hier en daar terugslag was, maar basies het goud 'n opwaartse neiging bly toon sedert die Mei-veiling van die IMF se voorraad ten bate van die armer nasies so goed afgegaan het. Na 'n flitsige wagsprin in die begin van die jaar het die prys gedaal as gevolg van geruste dat Washington besluit om meer van sy amptelike voorraad te verkoop. Die geruste is intussen bewaarheid.

Die Amerikaanse tesourie beplan ses veillings van 300 000 ons op 'n slag. Die tesourie het laat in 1975 'n bietjie goud verkob. Die beplande verkope is maar net 'n druppel aan die emmer in vergelyking met die opgebregde staat in Fort Knox, maar nuus van die veillings was "siekundig sleg" vir die mark en "tot hulp" van die swak dollar, skryf McGrandle.

Die aankondiging is skaars gemaak toe tref nog 'n slag die goudmark. Indië het ook besluit om sy amptelike goud te verkob. Die program daar is om twee veillings met 'n totaal van 1,5 miljoen ons aan te bied. Al die fakteue het die goudprys met ongeveer 15 dollar afgedruk tot die laaste syfer van 1978 van 197,65 dollar in die eerste drie weke van April.

Maar dit is opgevolg met die goeie nuus dat die nywerheid en juwelier-aanvraag vir dié metaal verbasend sterk gebyl het. Veral in die Midde-Ooste was daar 'n toename in die aantal veillings wat as beleg.
Currency gold link urged

JOHANNESBURG — The president of the Johannesburg Stock Exchange, Mr. C. R. Freemantle, said here yesterday there should be a relationship between currencies and gold.

Mr. Freemantle, who was delivering his annual review, added: "The more this is ignored, the more we shall witness turmoil, particularly in currency markets. Events since the late 60’s would appear to support this view."

He said that the value and discipline of gold had once again been emphasised by the performance of the exchange rate of the U.S. dollar.

"I say this in spite of the recovery of the dollar against the harder currencies and the transformation of trading on Wall Street in recent weeks.

U.S. fiscal policy

"So far, American fiscal and monetary policy shows no signs of effectively dealing with either the fact that there are too many dollars in the world or with the American balance of payments deficit."

Dealing with the year ending March 31, Mr. Freemantle said it could almost be described as the year of fixed interest investments.

Not only did the authorities require pension funds and life offices to subscribe increased percentage to statutory stocks, but the high pattern of interest rates made such stocks attractive investments.

For the first time in many years, investors enjoyed capital appreciation on fixed interest stocks over a relatively sustained period.

Mr. Freemantle

Many calls were being made for the expansion and development of the fixed interest market.

"The committee is currently discussing with the Registrar of Financial Institutions a revised method of trading in gilts for members in order to place them in a more competitive position with other dealers."

Not only did the authorities require pension funds and life offices to subscribe increased percentage to statutory stocks, but the high pattern of interest rates made such stocks attractive investments.

For the first time in many years, investors enjoyed capital appreciation on fixed interest stocks over a relatively sustained period.
Gold steady after US auction

By NEIL BEHRMANN

LONDON. — The gold price slipped in London and Zürich yesterday in spite of the satisfactory result of the United States Treasury auction. Gold was fixed at $179.60 in London yesterday afternoon and at $179.40 in the morning. Tuesday's second fixing was $179.75.

Mid-session selling forced the price down to around $179.75/179.50 yesterday, but the price recovered at the fixing in quiet trading.

The dealers said the post-auction short-covering which took the price up to $181.50/182.50 in the Far East had more or less dissipated, and the market had found a steady level.

It has been confirmed in the market that the Russians have declined to sell gold for several weeks. One Swiss bullion manager said that after selling a large quantity of gold in the first quarter, the Soviet Union was out of the market for two months.

Gold demand from Europe tails off ahead of the summer holidays about now. But lower purchases from these sources have been offset by firm Middle Eastern demand, and Far Eastern speculators have been short of gold.

Similarly to the platinum market, New York speculators have been gold bulls and have been caught on the wrong foot.

The Swiss banker said Middle Eastern investors who sold when gold was around $135 to $140 in March rebought when the price dipped to $170. They were potential sellers at above $190.

With estimates in the market that the Russians are selling 350 to 400 tons a year, it is hardly surprising that Zürich believes it is only a matter of time before the Soviet Union resumes selling.

Swiss dealers say South Africa continues to sell its full production.

In an interview in London, Senator Horwood said the Reserve Bank was selling full production. This could mean that recent Reserve Bank returns indicating that some gold had been retained, were a statistical aberration.

The fall in Soviet sales has offset the impact of the first American auction, and even if the price dips on renewed sales there appears firm support in the $170 range.

Swiss foreign exchange experts believe the dollar will fluctuate in a narrow band, and they do not see a substantial dollar appreciation.

Central banks at Germany, Switzerland, Britain and others are intervening on either side of the market to steady rates.

The Swiss believe sterling will be under pressure because of a large proportion of the increase in the British foreign reserves, last year and in the first quarter this year, came from inflows of hot money.

London bankers say the Bank of England has been forced to support the pound.

With currency uncertainties abating in the short run, the American run into gold has been caused by inflation fears. Mr Barry Bosworth, President Carter's wage and
Sharp rises in gold divs forecast

By ADAM PAYNE

GOLD mine dividends to be declared in June will boost gold-mining share investment, judging by dividend forecast now being issued.

Some dividends are predicted at 60% more than in June last year; one forecast to be 100% slip; and Doornfontein’s is estimated at 35c, or 250% up on the final last year.

James Capel & Co, the London stockbrokers have made their forecasts on a price of $800 an oz in the current quarter, allowing for the additional premium arising from the new system of payment by the Reserve Bank.

They also allow for a cost saving by mines which have cannibalised labour and have considered that gold production will be higher than in the March quarter.

Considering capital expenditure and allowing for the fact that not all revenue will be passed on to shareholders, Capel makes these forecasts, with June, 1977, figures in parentheses. The I next to each figure indicates interim and F the final dividend.

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<th>ANGLO AMERICAN</th>
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<td>Vaal Reefs 70 I (35%): Western Deeps 55 I (35%): Western Deep’s dividend is thus predicted to be 67% higher than in June last year.</td>
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<td>East Driefontein 45 I (35%): West Driefontein 215 F (145%); Kloof 35 F (35); Libanon 60 F (40); Doornfontein 35 F (35); Vasterspost 10 F (3). Kloof’s dividend at 25c would be 96% higher than last June.</td>
<td>Buffelsfontein 90 F (90%); Stilfontein 14 I (11); West Rand Cons 10 I (3). West Rand Cons’ dividend would be 223% higher.</td>
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<td>Western Areas 10 I (6%); Elburg 6.5 I (3.9); Randfontein 260 I (150%; Randfontein is thus forecast to rise by 96%.</td>
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<th>ANGLOVAAL</th>
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<td>Harties 105 F (70%; Sandpan 18 F (11.5); E T Cons 19 F (—). Grootvlei 15 I (10c capital repayment).</td>
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| Grootvlei 15 I (10c capital repayment). |

| UNICORP | |
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| Grootvlei 15 I (10c capital repayment). |
Experts see gold price

Emerging off soon

By Neil Rahman

Downdraft

The stock market's rise on news of a possible slowdown in the US economy has led to a rise in gold prices. The precious metal is seen as a safe haven during volatile market conditions. The Dow Jones Industrial Average (DJIA) has risen significantly, which has boosted the price of gold. The rise is expected to continue as investors look for alternative investments in uncertain times.

Alarming

Around $170 to $180 per ounce, gold is seen as a safe haven for investors during times of economic uncertainty. The metal's value is not subject to the same fluctuations as other assets, making it an attractive investment. The rise in gold prices is expected to continue as the economic landscape becomes more uncertain.

Zurich and London

The rise in gold prices has been seen in both Zurich and London, where the metal's value is traded. The rise is expected to continue as investors look for alternative investments in uncertain times.

SUNDAY TIMES, BUSINESS TIMES, May 28, 1978
$184 gold at 10-week peak

By NEIL BEHRMANN
LONDON. — Gold was fixed at $184.15 in London yesterday afternoon — down on the morning level of $184.50 but well ahead of Tuesday's second fixing of $182.30. The gold price is at its highest since mid-March.

Gold closed at $184.25/$184.75, day's high of over $182.50. There was a brief surge towards the close which took the price back above $183, but further profit taking brought it down.

In spite of this hesitation in the strong upward trend of the past two days, gold appears stable around these levels. Helped by the weaker dollar, say dealers.

In Zurich, gold rose strongly to close at $184.25/$185 against Tuesday's close of $182.75. Earlier, gold traded at $185/185.75.

Swiss bankers reported that Russia was again selling gold. The markets were buoyant following extensive speculative activity in New York.

Silver climbed to its highest. In London the price was around 300p an ounce, and in New York it was around the previous peak of $5.5 an ounce.

London and Zurich dealers said the gold market was active.

There was good two-way trade, with speculators getting in and out of positions. A London bullion dealer said there had been little industrial demand, and that the market had possibly risen too quickly.

American grain prices had increased and with inflationary expectations high in the United States, speculators hedged into precious metals.

A Zurich dealer believed that Russian sales had been easily absorbed, and that there was sufficient industrial demand from Europe and the Middle East at this stage to mop up offerings.

The market has confounded bullion experts who forecast normal seasonal weakness ahead of the European summer. With the dollar declining again, and with yet another huge United States balance of trade deficit last month, American speculators rushed into gold.

European gold dealers have a more cautious approach on prospects for gold.

According to Green's Commodity Market Comments 1,620,000 gold contracts were traded on the International Monetary Market in Chicago and on the Commodity Exchange in New York in the first four months of this year, compared with 457,000 contracts in the same period last year.

A contract represents 100 oz of gold. So in the first four months of this year gold paper trading in the United States amounted to eight times South Africa's yearly output.

Physical demand for gold in the United States, however, is much lower and figures from the Bureau of Mines show that United States gold consumption in the first quarter of this year declined from 1,360,000 oz. in the final quarter of 1977 to 1,140,000 oz in the first quarter of this year.

Seasonal projections and correlation between gold and the dollar, plus counter-cyclical moves of the Dow Jones fail to explain gold's movements. This indicates the effect which the United futures markets are having on the physical bullion markets.
Gold slips — dollar up in Europe, but hits yen low

LONDON. — The price of gold fell to $182.95 at the second fixing in London yesterday after $182.96 in the morning. Wednesday's second fixing was $183.70.

Trading was quiet yesterday, with no significant new factors affecting the market.

The drop at the second fixing was said by dealers to reflect lower opening United States future prices.

On the New York Commodity Exchange prices were 40c to $1 lower, with the June contract opening at $182.80, off 40c.

Prices on the International Monetary Market were down 40c to $1, with June contract offered at $182.70, off 50c.

The dollar sank against the yen in Tokyo yesterday, but in Europe it rose against the mark, Swiss franc and sterling.

The dollar dropped to 215 yen at one point in heavy trading before closing at 215.40 yen. These were the dollar's lowest yen values since the Second World War.

But in London on Wednesday, the dollar had fallen to 214.56 yen.

Some Tokyo dealers believed the Bank of Japan bought between $200-million and $300-million to check the decline, which has been triggered by indications of a far bigger than expected Japanese trade surplus this year.

In contrast to its retreat against the yen, the dollar recorded substantial gains against the major West European currencies.

It opened higher against overnight levels in all the European exchanges, but moved up further during trading, helped by a statement by the Treasury Secretary, Mr. Michael Blumenthal, that the United States was prepared to use its large resources to secure exchange rate stability.

In London, the dollar jumped to 216.43 yen from Wednesday's closing price of 214.93. It moved to 2,025-28 marks from 2,015-55 overnight and to 1,600 Swiss francs from 1,907-55 overnight. The pattern was repeated in Zurich and Frankfurt. — Sapa-Reuters.
Cons Gold sees $180 average

By G. Robertson

Mining Editor

This gold price is likely to average $150 this year, and while it would be preferable if it followed a regular pattern, price movements are likely to occur in humps and valleys. This is the view of Mr. Glyn, author of the authoritative Gold 1978, an annual review of the international gold market published by Consolidated Gold Fields.

Mr. Glyn describes 1977 as a record year with gold supplies to the market reaching 1,607 tons, the highest total except for 1,971 and 1,969 when central banks were forced to supply gold to private buyers at the then high price of $350 an oz.

Last year saw a record 1,372 tons of gold was used for fabrication. The value of new gold reaching the market had the highest-ever value of $1.56 billion, based on an average price of $147.74 an oz.

Mr. Glyn is optimistic about the future. His hopes are based on estimates of supply and demand over the next few years. He believes the free world's gold production will continue at around current levels for the next several years.

This production, including that from the communist countries, reached a peak in 1977 of 1,607 tons. In that year, the free world's contribution to the market was 1,372 tons, representing 79% of the total.

Last year's free world production was down to 866 tons, so 57% of total supplies of 1,491 tons. South African production, based on a price of between $120 and $150, is expected to increase marginally above last year's 790 tons through to the middle of 1979. Thereafter, it is expected that any new discoveries will fail below 790 tons.

Affecting such a forecast is the continually rising pattern of costs, which Mr. Glyn calculates have risen from $36 an oz. in the March quarter last year to $64 in the March quarter this year.

To meet this production, together with a number of lower than expected supplies in the communist countries, is expected to result in new supplies of between 500 tons and 1,000 tons for the next few years.

Production by the Soviet bloc has been estimated at between 350 tons and 500 tons. Consumption in these countries is expected to increase of between 200 tons and 300 tons, leaving a surplus of 300 tons to 500 tons.

Gold sales over the past two years have fallen roughly in the middle of this range, and "it is responsible to believe that purchases so that supplies from official sources can be expected at 200 tons to 300 tons.

Based on these assumptions, Mr. Glyn estimates total supplies to the market of between 1,660 tons and 1,760 tons.

On the demand side, jewellery use is expected to account for about the same figure as last year of 979 tons, based on a price of $170 to $190 and assuming a growth in real incomes of between 5% and 6%.

Other industrial and commercial uses, such as in electronic circuits, decorative plating, and dental applications, are expected to take as much as 300 tons at $227 tons.

Total demand for fabrication is estimated at about 1,400 tons which would leave between 50 tons and 230 tons available for private sector investment.

"At a price average of $180 this represents between $400 thousand and $700 million of new investment worldwide, modest sums by present standards of liquidity."

Mr. Glyn says any financial, economic, political or military crisis would lead to a heavier demand for gold as a store of value. If investment interest were greater, prices would be driven higher to buy sufficient supplies away from the commercial markets or to attract additional supplies from other above-ground stocks.

But he sees developments in the world monetary system, specifically in relation to the dollar's reserve role, as the key to any increase in investor interest.

The United States gold sales, says Mr. Glyn, have the twin aim of restoring confidence in the dollar by reducing the trade deficit and by strengthening international monetary relations.

In his final analysis of the year, Mr. Glyn believes that the first aim will not be met, and of the second says that the acceptability of a currency (in the dollar instead of gold) as an international store of value depends on a pervasive political, financial and military hegemony on the part of the issuing country.

If one accepts that these aims have not been met, there may well be a move away from dollar-based assets in spite of any improvement in the balance of America's payments.
US gold sold at $187.06

WASHINGTON, - The United States Treasury sold another 300,000 oz of gold at an average price of $187.06 an ounce in its second monthly auction since 1971.

The Treasury said 106 valid bids were submitted by 31 bidders for 1,098,000 oz. The bids ranged from $172 to $190.20, with successful bids starting at $186.52 and the average yield being $197.06.

The gold was sold to 21 successful bidders and the gross proceeds totalled $30,100,000.

The Treasury says US$177,000,000 will be used to retire gold certificates held by the Federal Reserve banks. The rest will be deposited in the Treasury.

The average price of $187.06 was $6.68 higher than the average price at last month's auction.

The United States earlier this year decided to sell some of its gold reserves in an attempt to bolster the dollar and reduce the trade deficit.

Bidders for the gold are mainly large European banks, jewellery companies and other corporate entities.

The smallest amount of gold one can buy is a 400 oz bar, costing about $75,000. - UPI.
A good outlook

Cons. Gold's annual reviews of the bullion market, now in its 11th year, have become established as the most authoritative of their kind, whose quality if anything has consistently improved. While the earliest of the series were largely statistical in their format, the latest ones have added interpretative text to the basic data, and include a section on recent developments and prospects which is essentially forward-looking.

This does not predict any particular level of gold prices, but gives the analyst the basis for his own estimates and, usually, some clues as to Cons. Gold's thinking. The point which comes through strongly from Gold 1978, again edited by Christopher Glynn, is that while supply of gold in the markets reached 1,607 t last year, demand proved more than equal to absorbing this near record quantity, at prices below $187. The key estimate is that net new supply of gold in the markets was worth over $65,500 m last year, "easily the largest total ever recorded."

Supply has in the past been greater than this has been, but only on two occasions: these were in 1967 and 1968, when the market absorbed 2,649 t and 1,830 t, respectively. But this was in the days of the gold pool, when the US was still defending the $35 per oz level, and at that price the supply was worth about $70,000 m.

Last year's supply consisted of 965 t of new mine production (with SA contributing 700 t), 401 t of Soviet sales and 241 t of monetary gold. This last is a net figure, with IMF auction material and sales by the Bank of Portugal "offset by various monetary agency purchases" — a phrase which indicates modest Arab and BIS buying.

On the demand side, the estimate is that 1,387 t were fabricated and 220 t acquired, for investment, in the widest sense. Jewellery was by far the most important source of demand, absorbing 973 t, or 60% of total net gold supplies. Next in importance were official coins at 158 t, the bulk of which was Krugerrand.

The recovery in the jewellery trade has been one of the phenomena of the past four years. In 1974, it absorbed only 232 t of gold, reflecting resistance by the trade and the public to the near-$200 per oz price. This proved to be the low point and over 1975, 1976 and 1977, jewellery absorption has gone up to 516 t last year.

The chart shows what has happened. Although the gold price has risen in dollar terms, in Swiss francs it has been more stable and even at the current $187, gold costs less in Swiss Fr. and other hard currencies than it did in 1974. So jewellery off-take has responded to the ability of the hard currency purchaser to buy gold on favourable terms despite the rising dollar price.

Interesting as it is to know where we have been, the vital question is still: where are we going? Cons. Gold does not foresee any major changes in the supply side, perhaps not for some years, and expects a total coming onto the market of 1,450 t to 1,650 t. SA production will probably stay in the 700 t to 720 t range up to about 1981.

On the demand side, total fabrication is also expected to be about 1,400 t, leaving 50 t to 200 t for investment. But as Gold 1978 says, this represents between $300 m to $1,500 m of new investment worldwide, "modest sums by present day standards of liquidity." That could be the understatement of the year.

With encouraging results from this week's US Treasury auction, which attracted bids for more than 1 m oz against 300,000 oz on offer, and a reduction of IMF offerings to accommodate members who want to acquire gold in relation to their quotas, monetary gold is being absorbed in the present rising market and it is clear that without these monetary supplies, the gold price would be much higher.

Glynn does not think there will be any official sales apart from the US Treasury's, except for liquid countries like Portugal. The US sales, he says, may continue into 1980, unless the dollar decline is halted.

"Present prices are sustainable and any increase in investment buying will drive them higher."
More Americans are investing in gold

JOHANNESBURG — Gold appears to have gained a foothold in the portfolio of many American investors — a development of considerable significance for the future demand for gold worldwide.

This encouraging outlook is expanded in Gold 1978, the annual gold survey compiled by Consolidated Gold Fields.

The author of the section dealing specifically with the American market notes, however, some cautious about the immediate outlook for the current year.

Gold use in 1977 in America increased along a broad front because of strong investment demand, as well as substantial expansion in commercial sales. In the present year, however, given present prices, commercial demand may suffer says the survey.

Investment demand is strong, but there is some question as to whether it will be as strong as in 1977. "On balance, we would expect that United States purchases of gold in 1978 will fall somewhat from the very high level of 360 tons achieved in 1977," the author says.

"While investment demand continues to be strong it may not reach the 1977 levels..." in addition, it is expected that demand by fabricators may decline as a result of higher prices. Industry inventories have reached a high level of 61.8 tons, equivalent to 37 per cent of total annual fabrication.

"Thus, unless there is a large upsurge in investment demand triggered by continued increased economic uncertainty, a cautious forecast would call for slightly reduced net gold purchases by the United States for 1978..." but the total could still exceed 300 tons a level considerably higher than that achieved in earlier years.

"Reviewing the American market in 1977, the survey points out that continued sales from the International Monetary Fund and from foreign official holdings became a regular feature of the market and had not been for 1976, the gold price would have risen higher..." given the strength of aggregate demand.

1977 sales reached 187.8 tons last year, of which 104.8 tons was sold in the United States. With the balance delivered in London and Paris. In addition there were large increases in sales from French accounts held in the Federal Reserve in New York.

In addition to these sales, imports last year almost doubled to 181.1 tons compared with 77.4 tons in 1976, while industrial stock levels rose during the year, thus adding to the demand rather than the supply side of the market.

The total supply to the American market in 1977 was 377.1 tons — up 71.7 per cent over 1976.

Exports more than doubled last year to 218.9 tons. The bulk went to Switzerland and Britain with smaller amounts going to Mexico.

Subtracting these exports from total supply leaves net bullion purchases in America last year at 319.5 tons, excluding coins, compared with 233.2 tons in 1976. If bullion purchases in 1977 were 386.2 tons.

"Looking at the investment side, the survey states that 1977 was the first year in which investment in gold started to take hold among a relatively wide spectrum of people, largely because of the declining stock market, continuing inflation and the deterioration in the balance of payments...

Direct purchases of gold bullion for investment purposes rose by an estimated 25.8 tons.

Investor demand for Krugerrands continued vigorous and total imports rose by 21 per cent to 58.2 tons.

"There was a significant increase in fabrication of gold for dentistry use and other investment type products from 4.8 tons to 6.6 tons..." Jewellery demand increased substantially in 1977, while the use of gold in dentistry rose modestly by 92 per cent.

Mr. Christopher Glyn, author of the authoritative annual survey of the international gold market, predicts the gold price is likely to average $190 this year and climb. "While it would be preferable if any further rise followed a modest annual increase, price movements are likely to occur in humps and valleys..."

Reviewing 1977, Mr. Glyn describes the year as a record one with supplies to the market reaching 1,000 tons — the largest ever from the dramatic years of 1974 and 1976 when central banks were forced to supply gold to private purchasers at the fixed price of $35 an ounce — DDC.
Gold report points to $200 level

BY NEIL BEHRMANN

LONDON. — Data in the latest Consolidated Gold Fields "Gold 1978" report show that, despite the big rise in the price of gold during the past year, the statistical position of the metal is excellent.

The message of the leading gold research team is clear: the metal's path is upwards and would back market forecasts of $200 an ounce before the year is out.

Consolidated Gold Fields' statistics suggest that the gold price will be determined by the thrust of investment demand against sales of the IMF.

US Treasury and other official sources' total supplies reached a record 1,607 metric tons last year. This was absorbed by the market in spite of rising prices.

In fact, fabrication demand at 1,307 t exceeded total sales of 1,390 t from the producers: South Africa, Russia and the rest of the world.

In 1977, official sales jumped from 70 t to 261 t, but this was easily mopped up by investment and speculative purchases last year. "The price performance in the last quarter of 1977 is quite remarkable given the exceptional distress sales by Portugal at a time when the Soviet Union was also undertaking a very heavy programme of sales," says the report.

An increase in investment demand is potentially a bear point for gold. Heavy bull positions are built up, awaiting to be sold at the right price.

In 1973 and 1974 investors and, to a much smaller extent, hoarders bought more than 1,000 t of gold. The bear market of 1975 to August, 1976, which saw gold decline from $195 to a low of $109 was accentuated by frantic sales from weak speculative positions.

In 1976 net gold-bullion sales from investment accounts amounted to 96 t, reflecting these events. But in 1977, net investment purchases amounted to 152 t.

With investment buying taking abundant supplies from the Soviet Union and Portugal in the first quarter this year, the increase in this position is potentially worrying.

Yet, the report shows that there is a marked difference between the latest statistical position and the healthy years of 1973 and 1974. In those years, fabrication demand accounted for less than two-thirds of the supplies from producers.

Demand from jewellers and manufacturers at the time fell by 25 per cent from the levels of 1970 to 1972. These important purchasers were resisting the huge price increases at the time.

But last year fabrication demand, helped by good Middle East purchases, actually increased from 1976 levels. Had official sales remained at previous years' levels, the gold-price rise could have been even greater.

Investment demand has thus matched official sales of gold.

The Consolidated Gold Fields report indicates that the statistical position of gold will remain sound this year. Total supplies, including official sales, are expected to be 1,400 t to 1,650 t in each of the next several years.

Total fabrication could again reach 1,400 t and this would leave only 50 to 250 t available for private-sector bullion investment.

At a price average of $190, this represents between $300-million and $1,500-million of new investment worldwide — modest sums by present standards of liquidity.

"The process of asset diversification, both in private portfolios and in international reserves, has been set in motion and it would be most surprising if gold did not continue to benefit," says the report.
Mine costs neutralise surge in gold price

By Michael Chester, Financial Editor

Working costs on the gold mines have spiralled so fast and so far that they have totally neutralised the benefit of the surge in the bullion price on world markets over the past four years.

Mr L W P van den Bosch, president, told the annual meeting of the Chamber of Mines in Johannesburg today that costs per ton milled had doubled over 100 percent higher since 1974.

The dramatic march of costs was now the most critical problem of all for the mining industry.

Though wage and salary increases were contained between 5 and 6 percent last year, the total wage bill still climbed by 15 percent as the introduction of the 11-shift fortnight forced mines to increase the size of labour forces and hand out bigger overtime payments.

New estimates put the recurring impact on working costs by the 11-shift fortnight at R30m a year - plus the burden of additional capital costs so far at R8m.

PRODUCTIVITY DROP

The drop in productivity directly attributable to the 11-shift fortnight had been measured at over 6 percent.

Large consumers such as the gold mines now found it extremely difficult to hold costs in check with the march of general price indices and notably the upsurge in administered prices of steel, electricity, water and food.

The current inflation pressures not only eroded South Africa's ability to compete in world markets it was also now making it uneconomic to mine many mineral reserves.

Mr van den Bosch assured that the whole industry is acutely aware of the need to reduce unnecessary costs.

It was no longer a question of whether, but when price control would end.

The chamber itself urged the gradual abolition of price control to allow the market place to determine new prices on its own.
Gold

13 July 1978 - December 1978
More gold for market this year

ZURICH -- Credit Suisse expects supplies of gold to the free market to total around 1,680 tons this year, up from 1,607 tons last year.

Around 1,600 tons will be accounted for by Western production after 965 tons last year. Eastern bloc sales will rise to about 410 tons from 401 tons, says the bank.

The remainder will come from official sales by the International Monetary Fund, the United States Treasury and other monetary authorities, totaling a net of 270 tons against 241 tons in 1977.

The bank says this last category can be broken down to 184 tons from the IMF, and 56 tons from the United States Treasury, leaving about 30 tons in net sales by other authorities.

The 30 tons includes the sale by the Bank of Portugal of about 20 tons in the first two months this year.

But experience shows that sales by countries with weak balance of payments positions can be offset by purchases from countries in surplus, so that the net figure for sales in this category is likely to be lower than the gross figure.

The bank expects industrial buyers to take 1,210 tons of gold this year compared with last year's 1,291 tons, and gold purchases for use in coin minting to rise to 170 tons from 136 tons.

With gold use for medallion production stable at 50 tons, this leaves 250 tons to be covered by investment demand against 220 tons last year at an average price of $300 an ounce amounts to $66.5-million in new investment in gold.

Given the current high liquidity of international investors, Credit Suisse says this amount is certainly within reach, but it cautions that investment and hoarding demand depends strongly on economic and political developments.

The gold market could be vulnerable if currency markets quieten and world interest rates show signs of rising.

Gold will always derive some support from the downside from investor buying to diversify portfolios and spread risks.

"On the other hand, one must consider whether investors with large gold holdings would not now be wise to think about a limited realisation of their profits," says the bank. — Reuters.

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about to introduce their own gold coins to the market. Is this the beginning of the end of Intergold’s domination of the gold coin market?

June exports (222 000 coins) were a third of January’s record figure (661 000) and even substantially lower than May’s 360 000 (see graph). But Intergold manager Don Mackay-Coghill is unperturbed. Indeed, he says, Intergold expected a fall-off in sales in May and June (FM May 5). It’s seasonal.

One regular feature of the market that should help to pull up sales this month is the traditionally heavy buying in West Germany when interest payments are made on government stocks and bonds.

Some market sources say West German buying has been through a low patch because investors are actually selling coins in order to realise cash, in present low inflationary times, to finance house building and other large expenditures. So German banks have cut down their orders of Krugerrands.

Mackay-Coghill tells the FM that this explanation is exaggerated. He says roughly 50 000 coins came back onto the market in West Germany in May followed by 20 000 in June. Total sales of Krugerrands to West Germany to date amount to roughly 10m coins so those that have come back into the market are peanuts, readily absorbed again.

Another reason, however, may be that the impending new German tax on Krugerrand sales has been delayed. The 12% turnover tax — which covers all gold and silver coin sales — was originally supposed to be introduced on January 1 next year. It has now been delayed and might not even be promulgated at all in 1979.

Pre-tax buying might well have helped to push up May sales as opposed to June’s and so have exaggerated the latest month’s sales drop.

But what about increased competition from new gold coins and medallions? Mackay-Coghill says he welcomes the introduction of Canada’s proposed gold coin since it will increase the size of the market. He doesn’t think that it will eat significantly into the sales of Krugerrands since the premium charged will inevitably be higher than the Krugerrand’s.

The number of countries producing gold coins as legal tender has risen from 6 in 1972 to 46 in 1977. None of them match the low premium of the Krugerrand (3% above the average of the two London daily gold price fixes).

Mackay-Coghill argues that only a gold producer like SA can maintain such low premiums. Even the proposed US move to mint medallions (possibly engraved with the likeness of the late Hubert Humphrey) is not taken too seriously.

Does it matter if SA sells less Krugerrands? Wouldn’t gold not sold this way be sold in any case by the SA Reserve Bank as bullion? It would, of course, mean a loss of the 3% commission — R12m in foreign exchange last year.

Mackay-Coghill agrees that if Krugerrand sales dip seriously and the bullion market remains strong — as at the moment — then the unsold coins can be absorbed as bullion. He points out, however, that sales of Krugerrands ease the pressure on the bullion market. Nor, he argues further, could SA expect increased sales of foreign gold coins to mop up increased quantities of bullion if Kruger sales dropped dramatically.

GOLD COINS
Market leader

Krugerrand export sales have plunged from January levels. And German investors are reportedly selling Krugers while other countries, such as Canada, are...
Gold boost for SA as mines set records

By Garth Hewitt

South Africa is back on a gold bonanza as new results from the mines today show profits smashing all records. An additional bonus was the bullion price in New York last night.

The gold price crashed the $100-dollar barrier to nose back near the peaks it touched in the 1974 gold boom.

The rise in the bullion price took it to $91.15 dollars on the key London market today.

On the Johannesburg Stock Exchange, gold shares also continued to bound ahead. The biggest gains were by Anglo American mines.

Profits of the mines over the past three months have sprung 40 percent higher to record levels of above R300-million.

Part of the reason is a new formula by the Reserve Bank to pay the mines for overseas bullion sales at real market prices rather than at a fixed lower official price level with a bonus still to come. Still, investors have been astonished at the dimensions of the profits spiral.

Even before the new results were announced, The Star's index for gold shares on the Johannesburg Stock Exchange had soared 22 percent since the start of May.

STIMULATING

The big rise in the bullion price, with every gain of 16 dollars an ounce worth about R200-million a-year to the economy, plus the mine profits is bound to act as a fillip to economic recovery.

And the gold boom is not the only signal of better weather.

South African merchandise exports in the first six months of 1978 climbed 28 percent to over R3 300-million - outpacing the rise in imports to leave a trade surplus now above R300-million.

DIVIDENDS UP

Other pointers of recovery:

- In Cape Town, the chairman of the Prime Minister's Economic Advisory Council Dr P.J. Riekerk, said the demand for home loans was at last starting to pick up. And unemployment was showing signs of falling.
- Anglo American Corporation today declared bumper dividends from its gold mines. VGL Reefs raised its interim dividend from 55c to 100c. Western Deep Levels pushed up its interim a massive 86 percent from 35c to 65c and East Daggafontein, which missed the interim dividend last year, comes in with a 25c payout.
'Gold heading for $250 in few months'

By John Cavill

LONDON — America's accelerating inflation and rising international debt could carry the gold price to more than 250 dollars an ounce in the next few months.

This is the belief of Mr. Christopher Murphy, gold analyst at London stockbrokers James Capel and Co.

Mr. Murphy's analysis coincides with the latest official announcement of a two-day run up in the gold price to a three-year peak of 191.75 dollars in London at the weekend.

Deer is in a. He bases his forecast on the relationship between the net short-term indebtedness of the United States and its gold holdings of 2777m ounces.

"Murphy's law" as it is termed states: "In times of accelerating inflation, the gold price will tend to rise to the value required to make the United States Treasury gold reserves equal to the net short-term indebtedness of that country."

By the beginning of May this year, America's total international debt was 208 billion dollars (R13.0 billion), 33 percent up in 12 months. Of this, 71 percent was covered by US short term claims on foreigners and long term bonds sold to overseas central banks.

The balance of 60 billion dollars (R2.6 billion) was covered only by the public "financial asset" of a US gold reserves of 2777m ounces — which would have to be valued at a notional 217 dollars an ounce to meet net short-term debt, the highest level ever.

So far, says Mr. Murphy in Capel's latest newsletter, the gold price has never broken through this "notional monetary ceiling." And after the International Monetary Fund gold sales announcement combined with the 1974-75 recession in the United States removed fears of inflation, bullion fell to a sharp discount to the "ceiling." By the time of the announcement, the price was under 100 dollars.

But now, he says, "inflationary pressures seem likely to ensure that the gold price moves up steeply."

Even in the meantime, accelerating inflation and international debt could well have carried the gold price over 250 dollars an ounce," concludes Mr. Murphy.

1.2.3. Tipologiee inelinge


Meer gevorderd is — Seboek, T.A. (red.): Current Trends in Linguistics, pp. 149-193, waar J. "By April next year, the current inflationary phase of the US economy will be four years old, and overdue for a correction."

In the meantime, accelerating inflation and international debt could well have carried the gold price over 250 dollars an ounce.

The United States has recently seen price indices once again moving up at annualized rates of 10 percent, and the Administration seems determined to seek a remedy for its monetary troubles by persuading its more cautious trading partners to join the US on the inflationary bandwagon.

"We do not therefore see any change in current trends until some time in 1979, when it becomes clear that things are not looking out of hand and the strong conservative forces, always latent in American society, reassert themselves and push the economy back into recession.
Gold boom boosts SA

Gold soared to $195.50 in London yesterday — the second highest level in history.

South Africa seems set to earn around R3 500-million from gold this year — R700-million more than in 1977, which was the best year so far.

This will help Senator Owen Horwood, the Minister of Finance, to make more concessions later this year — possibly including tax cuts — if he wants to give the hesitant economic recovery a further boost.

By HOWARD PREECE, Financial Editor

Bonanza may mean tax cuts

German mark and the Japanese yen.

World financial leaders in both government and private sectors do not believe the US is anywhere near to curbing its huge overseas trade deficit.

This deficit is mostly the result of oil imports. There are also doubts about how long the oil-producing countries will be prepared to accept payment in constantly devaluing dollars.

Over R1 000-million has been added to the value of gold shares on the Johannesburg Stock Exchange this year. However, the shares generally are still well below the levels at the end of 1974.

This is because gold mining costs have been escalating alarmingly and the recovery in the gold price, even with the extra benefit of the 1975 rand devaluation, has not kept pace.

Now is the declining dollar all good news for South Africa. The rand is linked to the dollar at a fixed rate of $1.15 equals R1.

This means that the rand has also been tumbling against other currencies, including the British pound, and this has added to the price of our imports.

But this has probably been for the best overall. Political fears make the rand vulnerable and the drift down with the dollar has eased speculation against a formal rand devaluation.

The De Kock Commission is expected to report later this year on the rand and the recommend severing the fixed link with the dollar.

South Africa is most unlikely to take any action on the rand in advance of the report.

The record gold price is $197.50 on December 30, 1974.
Europe in the Eighteenth Century: 1713-1763

3.3 Monetary Policy

African History

By Neil Albrecht

ABSTRACT

The increase in the volume of trade and the growth of the industrial sector of Europe, rural life, too, felt the effects of innovation. The rising demand for raw materials and agricultural products led to a significant increase in the prices of goods, which in turn affected wages and the purchasing power of the working class. The enclosure movement, which began in the 18th century, had profound impacts on the economy and society. It led to the transformation of common land into private property, which increased the control of landowners over the land. This resulted in the displacement of tenant farmers and the rise of agricultural wages. The enclosure movement also led to a decrease in the supply of labor, which increased the demand for labor in urban areas.

The enclosure movement was driven by the desire for profit and efficiency. Landowners sought to maximize their returns by converting common land into more productive fields. However, this came at the expense of tenant farmers, who were often forced to relocate or seek new work. The enclosure movement also contributed to the growth of the urban labor market, as more people sought work in the growing industrial centers.

In conclusion, the enclosure movement was a significant event in the history of Europe. It had far-reaching effects on the economy and society, leading to a transformation of land ownership and the rise of industrial capitalism. The impact of the enclosure movement is still felt today, as the legacy of the movement continues to shape the economic and social landscape of Europe.
Gold rallies after fixing fall

LONDON.—The price of gold rallied after dipping to $193.30 at the second fixing in London yesterday. It was fixed at $194.65 in the morning on profit-taking. Monday’s second fixing was $195.20, the highest since December, 1974.

Yesterday afternoon’s post-fixing rally took the price to $194.50/$195.00 in active trading.

Strong buying support, particularly from the United States, boosted the price. Dealers were unable to account for the reversal of sentiment.

Earlier gold lost some of its recent strong advance as the dollar recovered marginally.

The decline was described as a normal reaction, following its steady rise over the past few days. Dealers say the Russians have not been big sellers.

The yen gained more ground yesterday against the dollar after Monday’s major breakthrough, but things were slightly easier for the dollar in Europe.

After sinking below 200 yen on Monday for the first time since the Second World War, the dollar fell back to a record 185.10 yen at one point on the London foreign exchange market today then made a comeback.

The yen’s latest rise means the dollar has lost about 42 yen in value since the beginning of this year.

Expectations that the United States trade figures for June—due to be announced today—will show another large monthly deficit put additional pressure on the dollar. The huge trade deficit in 1977 and this year—matched by a record Japanese surplus—has been a major factor behind the fall of the dollar and consequent appreciation of the yen.

In Tokyo yesterday the Bank of Japan appeared to throw in its hands abandoning its efforts to bolster the dollar which closed at the post war low of 195.50 yen.

Market sources said persistent selling forced the Bank of Japan to abandon its efforts to prop up the dollar.

In Zurich the dollar opened at an all time low of 1,7715 francs, down from Monday’s close of 1,7735—it’s previous low.

The Swiss say there have been no actions by Washington to put its own house in order instead of demanding of Europeans and the Japanese that they expand at the cost of higher inflation. United States economic pronouncements are viewed with disbelief.

Crow Goes Hunting (roned sheet)
Thought Fox (roned sheet)
Circus Animals Desertion (Macmillan Collected p391)
To Posterity (roned sheet)
Blue Umbrellas (roned sheet)
The Cool Web (roned sheet)
Jitters as gold price rises

LONDON. - The price of gold in London yesterday as the dollar moved erratically. Gold was fixed at $184.30 in the afternoon and at $184.20 in the morning. Tuesday's second fixing was $193.30.

Activity was hectic at yesterday's second fixing which was prolonged for 30 minutes.

News of improved United States trade figures was responsible for the flurry of activity.

The figures initially depressed gold, but market sentiment is erratic and gold was quoted soon after the fixing at $184.30.

It closed at $184.20/40, in active and nervous trading.

Conditions quietened slightly towards the close after a confused day in which the major factor was the better than expected United States trade figures.

Market sentiment remained uncertain, and still sensitive to volatile currency movements.

The dollar for overnight delivery closed lower at 195.10 yen in Tokyo compared with a 196.50 opening and 196.60 at Tuesday's close. It fell briefly to a post-war low of 194.50 in late trading.

Although the dollar retreated,

Carpenters from the the greater part of the Highlands.

DRAKENSBERGE are the T Peaks. The foremost (4,877 m) and

Ward for 6,695 km the White Nile.

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The Nile rises in the Pulta Jala that flows into the Gulf of Guinea and the Republic of Guinea.

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ISTHMUS of Suez joins the CONTINENT of Africa to Asia Minor.

The RED SEA separates ARABIA from AFRICA.
Futures nudge $200

Bullion finally cracks the 1974 price record

By Michael Chester, Financial Editor

The bullion price last night finally cracked the 1974 gold rush record and surged to a new peak at 197.75 dollars an ounce in New York to challenge the magical 200-dollar barrier.

On the pace-setting United States futures markets, the challenge became eyeball to eyeball as September contract prices on the International Metal Market closed between 196.50 and 200 dollars precisely.

The steep climb carried spot gold 2.30 dollars higher than the 194.25 dollars close in London, where the market closed earlier because of time zones.

The 1974 record was set in London on December 30 when it was fixed at 197.50 dollars.

Though the improvement in the US trade deficit in June aided the dollar on various European foreign exchange markets yesterday, the US currency was still losing ground in West Germany and Japan, whose economies appear to be bursting with wealth.

Nor was immediate relief yet in sight for the dollar:

- The dollar sagged to 2.0570 marks in Frankfurt as West Germany released statistics showing its June trade surplus swelled to R1.685bn to push the first six-month total over R3.3bn.
- In Tokyo the dollar toppled to a new post-war low against the yen even though the Bank of Japan took in about 500m dollars in a bid to cool speculation.

The broad interpretation can only be that the currency markets have been little impressed by the prospect of swift solutions to world economy problems from the package that came out of the recent Bonn summit.

In Japan a special Government team is seeing to cut the huge trade surplus decided on increasing emergency imports beyond the first target of 4000m dollars using all methods at its disposal.

For South Africa the chronic problems of the US dollar have a double edge.

On one side, as the dollar declines, so does the rand because of the link between the two currencies that keeps them in tandem on the forex.

REFUGE

On the other hand, the dollar's plight is persuading investors and speculators to turn more and more to gold for huge foreign currency earnings.

Each movement of 10 dollars an ounce in the bullion price brings in South Africa an extra R200m a year in foreign exchange earnings.

The new gold boom also has the bonus of bringing in more from overseas sales of Krugerrand gold coins.

Mr P A von Wielligh, the new president of the Chamber of Mines, yesterday calculated income from KR sales at a staggering R2.3bn since late 1970.

He was speaking at the SA Mint — where he personally struck the 20-millionth KR gold coin to come off the production line.
Gold

What it means

- Lower state assistance. With some marginal mines producing at costs of $233 an ounce (Free State Saai) and $237 an ounce (Wit Nigel) the higher gold price will enable government to save on assistance payouts.
- More profits for the mines. Higher mine profits will filter through to the economy in the form of increased dividend payments, increased investment and employment and, possibly, increased salaries (wage agreements for this year have already been finalised).
- Higher gold reserves. If the volume of gold held by the SA Reserve Bank at the end of the month doesn't decrease, the gold reserves should go up substantially. The valuation price is the average of the last 10 London gold fixes less 10%. If the average was $195 and the physical volume of gold held by the Reserve Bank remains at June's level of 9,785m oz, the gold reserves would appreciate by R80m.

Urgent

5. Should an African technical

4. What factors prevent you from employing more Africans as technicains?

3. Age and experience

2. Other (please specify)

1. Africans not regarded as capable/correcly oriented.

- Reactions of customers or public.
- Fear of friction and hostility among different African groups.
- Assumed legal restrictions.
- Job reservation.
- Assumed illegality of placing whites under Africans.
- Red tape associated with employment of Africans.
- Trade Union/Industrial/Consultative restrictions.
- Separate offices/correspondence/restrictions required by law.
- Apprenticeship Board restrictions.
- Fear of reactions of white employees.

Which you see as being the most important.

Is it because of any of the following? Indicate the 3 factors.
The $200 mark

and S.A. smiles

by Howard Price

Gold zooms past the $200 mark as a consequence of the jump in the gold price to $200 an ounce. The jump was the first in 11 years and came as a result of the decision of the United States government to raise its gold price from $35 an ounce to $200 an ounce. The jump in the gold price has led to a rise in the value of the dollar and a fall in the value of the S.A. rand.

The jump in the gold price has also led to an increase in the value of the S.A. rand. The rand has risen from 11.5 cents to 15 cents per dollar.

The gold market has been volatile in recent months, with prices fluctuating widely. The gold price has risen from $35 an ounce in 1968 to $200 an ounce in 1969.

The gold market is a complex one, with many factors influencing the price of gold. These factors include the demand for gold, the supply of gold, and the policies of central banks.

The demand for gold is driven by a number of factors, including the demand for gold as a store of value, the demand for gold as an investment, and the demand for gold as a hedge against inflation.

The supply of gold is determined by the production of new gold and the recycling of old gold. The production of new gold is primarily determined by the mining industry, while the recycling of old gold is determined by the refiners.

Central banks also have a role to play in the gold market. They may intervene in the gold market to support the price of gold or to limit the price of gold.

The jump in the gold price has had a significant impact on the S.A. economy. The increase in the value of the rand has led to a rise in the cost of imports, which has had a negative impact on the S.A. economy.

The S.A. government has also been affected by the jump in the gold price. The government has been forced to raise taxes to cover the increased cost of imports.

The gold market is expected to remain volatile in the near future, with the gold price expected to continue to rise.
The president of the Chamber of Mines, Mr P A von Wielligh, examines the 20-millionth Krugerrand which he struck in Pretoria yesterday.

Pretoria Bureau

The 20-millionth Krugerrand was struck yesterday by the president of the Chamber of Mines, Mr P A von Wielligh, at the Government mint in Pretoria.

Sales of the coins have earned South Africa an estimated R2 300 000 000 since the first one was struck in 1967.

R2 300 000 000 000, more or less

Mr Von Wielligh said Krugerrands had first been produced to make gold available to ordinary individuals all over the world.

"However, our first production did not meet that initial aim. Large-scale production had to begin in November 1970," he said.

Already during 1978, demand for the coins had boosted monthly sales to a record figure of 669 030. Thirty per cent of all South Africa's gold production had gone into Krugerrands during the first quarter of the year.

"The Krugerrand has become the market leader in gold coinage, and has established itself as the optimum means of medium and long-term investment in gold for the man in the street," Mr Von Wielligh said at a ceremony at the mint.

"The main factor influencing sales is investment speculation arising from the weakness of the US dollar," he said.
Deur WILLEM LAUBSCHER

AS Vrydag se rekord-goudprys van 201,30 dollar per onshou, of selfs nog styg, kan Jan Burger hom moontlik begin klaarmaak vir 'n belastingverligting in die volgende begroting.

Dit is een van die nieuwe effekte wat 'n konstant hoër goudprys vir die man op straat kan inhou. In Maart het Mr. Owen Horwood in sy beginroeping die verwagte belasting van die goudmyne se kapitaliseerde inkomste bereken.

In daardie stadium was die goudprys in die omgewing van 180 dollar per ons - seker 'n hoë koppie bokant die prys watop die Minister sy beraamde belasting gegrond het. Dit werk so dat die belastingkaal vir die goudmyne taamlik drasties styg namate die prys verhoog word. As 'n mens in gedagte hou dat 'n verhoging van 10 dollar in die goudprys vir die landse goudmyne 'n ekstra inkomste van R200 miljoen per jaar beteken, beteken dit sedert die begroting se prys van 180 dollar 'n ekstra jaarlikse inkomste van R400 miljoen - waaruit die staat 'n aansienlike inpas sal kry.

So 'n ekstra inkomste kan gebruik word om Jan Burger se belastingbelasting te verlig. Soms gebruiklik sal die goudprys vorentoe weer sak.

Maar die sq. korreksie sal volgens kenner nie so groot wees soos in 1974, toe die goudprys die vorige rekord van 197,50 dollar gehaal het nie. Daarna het dit onder 100 dollar gesak.

Kwalie dokter

Dr. Gerhard de Kock, spesiale adviseur van die Minister van Finansies, het gister aan RAPPORT gesê die tydsberekening met die rekordprys kan kwalie meer gelede gewees het.

Dit kan o.m. drie belangrike kwalie help dokter:

* Die belastingbalans versterk;
* Die groei koeiers mettertyd aanhelp;
* Die stekundige klimaat groolikse verbeter.

Dr. De Kock meen nie dat die hoër goudprys dieselfde bestedingseffekte van die vorige hoogtepunt van 1974 tot gevolg sal hê nie. Ons is hout dat die meerprys in 1974 nie die gevolgs die heerlig is nie. Die geveelde belasting van ons mens kan aanvaar dat die meevaller nou gebruik gaan word om die ekonomie te versterk.

Omstandighede is darem ook nou baie anders as in 1974 Toe was daar 'n opliging in die ekonomie, met 'n groeihoek van 7 persent. Die ekonomie was toewarm. Nou is dit koud met die draai punt in die ekonomie wat maar eers einde verlede jaar bereik is. En ons verwagte groeihoek van verpaaar is maar tussen 2 en 3 persent. Juis daarom, met die verwagte groei nie so groot nie, kan die ekstra inkomste uit 'n hoër goudprys ons ekonomie daardie stootjie gee wat hom na 'n vinniger pas kan laat oorstaan.

Die belangrike ding wat die hoër goudprys nou ook andermaaie getoon het, is dat die wereld hom nie veel steur aan wat sy leiers van die ekonomie sê nie. Die Bonnerbank, waarop die vroege Grootes van die Weste die wereld-economie met 'n sterk verklaring van voornemens spoort, het die heen indruk getrek.

Die wereld het kwalie tien dae ná die beraad net eenvoudig gesê die Kaap moet allermins Hollands - ons is eerder ons geld in goud, diamante en plateina - dingie wat onsekerheid bied in 'n onsekerheid.

Soos Mr. Horwood dit Vrydag gestel het: Die volgende sterkte van die goudmark is afgehang van die monetiese overheid in die publiek in te van algemene onsekerheid en onstabiele geldmarkte goud steeds bo papiergeld sal verkies.
A Sages of Success for Gold

—But What of Future?
NEW YORK. — With the price of gold rising to an all-time high this week, most Wall Street analysts were bullish for bullion in the next few months.

New York dealers were commonly predicting a ceiling of $250 an ounce coming by the end of the year, if all the factors coincide.

Since the United States has emerged as the largest single market for gold in the world — American sales account for 25 per cent of all gold purchases — whatever happens to the US economy in the next six months will be the largest single factor.

And the bad news expectation of America in the months ahead spells good news for gold. A slowdown in economic performance.

skyrocketing interest rates and a continuing energy crisis have all led to a steadily increasing demand for gold for all purposes — industrial and investment — in the past year.

So far in 1978 demand for gold in the US has accelerated rather than leveled off. The US Treasury reports that gold bullion imports during June netted out at 994,000 ounces, with industrial shipments especially high.

If the pace continues through the year, nearly 5 million ounces of bullion will flow into the US compared with 10.5 million ounces last year.

Wall Street analyst James Sinclair has predicted a range of between $222 and $248 an ounce between November and next March. Merrill Lynch's London metals specialist David Fitzpatrick has warned customers to be alert to "significant gold price rises in the next six months," even despite a real world economic crisis developing.

Another bullish signal is the growth of the New York futures market for gold, which now handles a 5-million ounce volume of trades, which is six times the activity of just a year ago.

If the predictions do come true then perhaps the only casualty will be the US Treasury's anti-gold staff members. In just the run-up in price since March, the gold reserves of the US have increased by $10 million and the 900,000 ounce a month sales the Treasury has held since.

If gold does top $200 and stay there, politicians in the US Congress are going to look at the steadily sinking dollar and the 277-million ounce hoard America holds and wonder why the Carter administration is selling off something that has appreciated in value so much.

If the US dollar were backed in gold again it would immediately become the most firmly supported money again and its value would improve abruptly.

*See Page 5*
and limitation of using GNP as an index of economic welfare or progress -

An alternative scheme of National Income Accounting

pioneered by Simon Kuznets (1935) is an important tool for macroeconomic

analysis. Kuznets argued that the gross national product (GNP) was not

sufficiently accurate in measuring economic welfare. He proposed a

modified version of economic output that took into account factors such as

capital consumption and net foreign investment.

One of the key problems with the

GNP is that it does not account for factors such as

income distribution and environmental damage. Kuznets' scheme

aimed to provide a more comprehensive measure of economic welfare.

In his view, economic welfare

should be based on a wider range of indicators than simply

income levels. Kuznets' approach has been influential in

macroeconomic analysis and has been adopted by many countries

around the world.
Gold through the roof

Seven days on the trot

THE dollar's losing streak against the yen extended to a seventh consecutive trading day yesterday with a total drop of 18.3 yen since July 21.

After the market closed, Tokyo traders reported the dollar fell to 186.30/40 yen on other Asian markets.

The latest rate in Tokyo meant a minimum taxi fare of 330 yen, for those paying in dollars, has gone from $1.14 to $1.76 in slightly more than a week. In late May, at an exchange rate of 226, it would have been $1.44.

The average second fixing for gold in London this year is £180.5.

The sharp increase in Japan's July reserves and Finance Ministry officials' forecast of a July trade surplus in excess of June's $2.950 million added to the dollar's weak trend.

There was no official Japanese intervention to slow the yen's advance.

Hong Kong gold imports in June rose sharply to 41.4 kg from 12.4 kg in May and 8.47 kg in June, 1977.

Imports comprised 5.02 kg (3.3 kg in May) from Britain; Switzerland 38.2 kg (1.04 kg); Australia 729 kg (729 kg); and France 269 kg (42 kg). Re-exports, all to Taiwan, fell to 23 kg from 45 kg in May.

The sharp rise in imports was due to the bullish market, whose premium over the London price enabled operators to deliver physical gold at a profit.

The Hong Kong market's premium over the London price has narrowed and figures should show a fall in imports in July, dealers said.

Gold closed around $204.25/204.25, similar to the $204.20/204.25 at the opening of business in the morning.

The price declined gradually in the afternoon in nervous trading.

The closure of Swiss markets, the overnight and morning weakness of the dollar and today's International Monetary Fund auction of 1.75 billion of gold through the bid method combined to produce rapid and erratic price movements in occasional hectic trading.

The morning fixing was a record, beating the previous best of $204.00 at last Friday's afternoon fixing.

The fixings reflected continuing nervousness about the dollar's performance on foreign exchange markets as well as confidence in gold as a hedge in currency turbulence.

A dealer said the lengthy afternoon fixing showed gold's sharp increase in the morning could not be sustained.

The second fixing coinciding with a slight recovery in the dollar.

Dealers say gold may well trade steadily tomorrow around current levels until the results of the IMF auction are known.

Although further dollar weakness may put upward pressure on the price, the reopening of Swiss markets will lead to greater two-way business.

Gold futures opened sharply higher in aggressive trading on the New York Commodity Exchange and the International Monetary Fund.

IMF prices opened $3 to $3.50 higher and new session highs were set in September through June contracts. On the Comex prices were up $2.50 to $3.

The gold market in Paris was active yesterday on private and industrial interest with the price rising to 200 francs a gram at the afternoon fixing — up 10 francs from midday.

The dollar equivalent, at $200.09, was about the same as in London, which contrasted with the slight discount which had been apparent in recent days.

Gold rose of $4.97 yesterday to $202.18 in Hong Kong.

The dollar dropped to another record low on the Tokyo foreign exchange. It closed at 187.35 yen from 190.30 yen at Monday's close.

Tokyo dealers said the dollar continued its slide against the yen in wild trading on other Asian markets after the Tokyo exchange had closed and dropped as low as 186.35 yen.

The dollar seemed to recover against the yen in early trading on European money markets. It was quoted at 187.35 in London, but this was lower than the Tokyo closing rate.

The dollar dropped through 200 yen in Tokyo on July 24.
Break with
dollar now —
industry chief

PRETORIA — As gold eased slightly yesterday on international markets, two leading South African economists yesterday called on the Government to cut the rand from the ailing United States dollar.

And in Europe, while the dollar staged a modest comeback yesterday with yet another record low in Tokyo, the price of gold was still comfortably above 200 dollars an ounce.

For the eighth straight trading session — since the dollar dipped below the 200-yen barrier on July 24 — the ailing United States currency plumbed a postwar closing low on the Tokyo foreign exchange.

The dollar finished the day at 184.65 Japanese yen, equal to 1.75 United States cents per 100 yen.

But when European foreign exchanges opened, the dollar looked healthier — slightly improved against the British pound, French franc, West German mark, Italian lira and Dutch guilder, but lower against the powerful Swiss franc.

The dollar also looked marginally better against the yen in early London dealings. It was quoted at 183.45 yen, up slightly from the Tokyo close of 184.65 yen.

On the London bullion market, gold opened at 208.75 dollars an ounce and then eased to 202.75 dollars in "very hectic" trading.

The metal reached an all-time high of 207.50 dollars an ounce on Tuesday morning's fixing — the price agreed to for the trading session by London's five major bullion dealers.

The dollar's marginally better performance in Europe was cited as one factor in the easing of the gold price.

Another consideration was nervouness late on Tuesday on the New York market in advance of the monthly gold auction held yesterday by the International Monetary Fund, which offered 470,000 ounces of gold for sale.

A London source said in the past, gold prices tended to move up in advance of an IMF auction.

There might also be some market uncertainty, as to what IMF prices would do and the view that it would be wiser to reduce holdings now and wait for the auction results before making further commitments.

In Pretoria, gold's healthy reaction to the dollar decline led a prominent economist, Dr. M. D. Marais, to call on the Government to waste no time in severing the rand's link with the dollar.

Dr. Marais, chairman of Union Steel Corporation and a former member of the Prime Minister's economic advisory council, said he had been abroad in business trips five times in the past 14 months.

"The view of leading bankers and financiers is that the dollar will continue on its downward slide, and if we don't break with it we'll go down with it," he said.

South Africa should get out while the going was good. It was not easy he said, for the Government to undo the link but undo it they must.

The FPP's financial spokesman, Mr. Harry Schwarz, MP, also supported a break with the dollar yesterday.

The rand, he said, should be linked with a basket of currencies.

The urging was countered by a claim that the Government's policy of promoting exports and discouraging imports was being well served by the sagging dollar.

The Secretary for Finance, Dr. Joop de Loo, firmly put down speculation that the rand would break with the dollar.

"The Government has no plan at this stage to untie the rand from the weakening dollar," he said.

He also dashed hopes of further tax relief this year because of increased Government revenue from gold. The Government's policy was still one of caution, he said... DDC
GOLD, that traditional economic refuge in times when all else appears to be falling apart, is regaining a prominent place in world markets, aided by such related factors as the failure of the United States to deal with its inflationary problems, continued and increasing imbalances in international payments and chaos in the currency markets.

While few expect the metal to recapture the central position it once held, most agree it will continue to serve as an important parking place for money too nervous to go elsewhere.

Back in the autumn of 1973, before the start of what many experts now call gold fever, the metal was selling for as low as $70 dollars an ounce.

"Gold is a psychological asset," said Frederic Bogen, manager of the gold department at the Republic National Bank of New York, one of the world's largest traders in the metal.

"If people can't place their trust in the No. 1 world currency, the dollar, they turn to gold as a hedge. We feel dealers and economists alike view the current upward spiral in the price of gold as, in effect, a vote of no confidence in the prospects of the American economy, the result, they say, of a confluence of bad news and low expectations.

The high rate of inflation — running close to 10 percent — joins high interest rates, fears that the oil exporters may dump the dollar in favor of a basket of currencies as a way of pricing their oil, and the recent moves by European central banks to consolidate their currencies against the dollar as factors in the loss of faith in America's power to overcome its economic difficulties, or to end its balance of payments deficit.

Economist say demand for gold will rise as long as the American dollar continues to fall — encouraging banks, individuals and companies with dollar holdings to hedge against losses in that currency, even through interest-bearing instruments.

And, they say, with the prospects of a recession sometime next year increasing by the week, the expectation is that demand for gold will remain high.

"This latest move is only a staging ground," according to Donald McShane, a longtime gold watcher, and publisher of the McShane newsletter.

He says that over the next month gold prices will hover between 180 and 190 dollars before soaring up to 220 sometime in 1979.

The upsurge in gold is not just a 1978 phenomenon. In fact, 1977 was a record year for the selling, buying and fabrication of gold, even though the world's supply had decreased from the high levels of 1969 and 1970.

Free-market supplies of gold in 1977 were up from 1976 levels, rising 11 percent to 1.607 tons, an increase largely accounted for by official sales of gold in auctions, such as those held by the International Monetary Fund — and since May by the United States Treasury Department — and by several impoverished governments, such as Portugal and India.

According to Gold 1978, the yearly bulletin published by South Africa's Consolidated Gold Fields, there was also a noticeable increase in sales of gold by the Soviet Union and other communist countries last year.

The Soviet Union, second only to South Africa as a producer of gold, put 444 tons of the metal on the market last year. Communist countries contributed about 20 tons.

Sales by international agencies and central banks amounted to another 241 tons and newly mined gold added about 863 tons.

There was also a marked increase in gold markets over the last five years, a trend experts say has laid the groundwork for a comeback by the metal as the hardest currency of them all.
Bonanza

Gold Boom
$33.7m in shares traded
Gold hits 213,50 dollars an ounce

Mercury Correspondent

LONDON — With the dollar continuing its dramatic decline on the foreign exchange market, gold was fixed at a new high yesterday. In the morning it was fixed at 212.25 dollars and in the afternoon at 213.50.

London bullion dealers said it was difficult to make any short-term predictions, because investment and speculative demand were pushing the metal to new highs.

Overall, however, foreign exchange dealers are anxious about the developments of the dollar, the world’s reserve currency.

The latest mining journal Quarterly Review in fact, says that the central banking system held 35,985 tons (1.156 million ounces) of gold valued at some 200,000 million dollars on the basis of 180 dollars an ounce.

Second place

This means that gold occupied second place in the reserve assets of the central banking system after the American dollar, comments the journal.

A month ago, foreign exchange dealers and gold bullion dealers had expected August to be a quiet month because of the Northern Hemisphere summer holidays.

A series of London stockbroking newsletters at the end of July predicted that gold would be higher by the end of the year, but there would be a decline. These predictions have been thwarted because of developments in the currency markets.

Chairman of Mocatta Metals Corporation, Dr. Henry Jarecki, sums up the situation in the latest issue of Euromoney. He says that gold is “in great plenty.” A below-ground stocks held by central banks and private investors are, in all likelihood, equal to 30 or even more years of current production and probably 75 to 100 years of current fresh consumption.

“Whenever a commodity is in glut and is required more for safety than for profit, the price is a matter of psychology, not reason. Sales of three metric tons a day will not satiate an avid speculative appetite.

“Ten tons a month, after the news has been digested, will have as little effect on the price.

“Indeed, the possible termination of U.S. sales now looks as a positive factor, in the same way that the IMF’s announcement of possible direct distribution did.”

A speculative orgy like that of 1974, is unlikely. A major fall in price is unlikely too. The bull market which started at the 100 dollar is unlikely in 1975, is still in force.

“As (American) citizens, we can still hope for a 35 dollar gold price and a five-cent cigar.” As realists we must hope for a far higher price. With gold well over 200 dollars an ounce, London brokers have been updating their dividend forecasts.

Brokers Williams de Broe Hill Chaplin and Company forecast sharply higher dividends for mines declaring dividends next month.
More gold for market could depress price

Financial Reporter

GOLD COULD BE in an exposed position this year with an expected 4.5% increase in the amount of bullion available on the international market, according to the authoritative Credit Suisse Bulletin.

If sales that in 1977, the volume of trading on the gold market rose by 11% to reach 1.697 tons, a record since the establishment of the free market.

This higher turnover was due solely to sales from official holdings, as sales from the Eastern bloc remained virtualy unchanged, while Western production fell slightly.

However, greater offerings are expected this year.

Production from Western mines is likely to rise for the first time in several years. In the past, lower output from the largest gold producer, South Africa, offset the steady but relatively minor increases among the other suppliers. The first five months of 1978 have seen South African production figures tending upwards, aided by both the favourable prices and the exploitation of new mines.

A 3% increase in South African output is likely for the year, with aggregate Western production probably reaching 1.600 tons, or 4% more than in 1977.

Sales from the Eastern European countries have become a regular feature of the free gold market.

With Russia constantly expanding output and Eastern bloc foreign exchange requirements continuing high, offerings from these sources are again likely to reach 1976 levels, or around 3% higher than last year.

To this must be added growing sales from Western monetary authorities, including both the scheduled sales of 184 tons by the International Monetary Fund and 56 tons from the US Treasury.

If sales at the official Indian auctions are again only partly covered by purchases on the international market, offerings from this source stand to rise by 20 tons net.

Further sales from Portuguese holdings — which amounted to 20 tons in the first two months of 1978 — together with official sales from other countries running high balance of payments deficits, could send offerings even higher.

Because these sales are partially compensated by official purchases from countries with balance of payments surpluses, official offerings come to 270 tons, compared with 241 tons for 1977.

Thus, all told, provision of gold on the free market can be assessed at 1.800 tons, or 4.5% above that for 1977.
Gold rises on steady demand

LONDON. — Gold met good buying demand yesterday afternoon and it was fixed at $215.75 in the afternoon. The morning fixing was $215.70 and Tuesday's second fixing was $213.30.

Gold began yesterday's second fixing at an indicated $214.40 and rose steadily in a fairly long session on the dollar's weakness and investment demand.

It rose after the fix to be quoted at $215.80/216.20.

In Zurich gold closed higher on the day at $215.50/215.75, compared with the opening $214.50/215.25 and Tuesday's closing $213.35/214.00.

There was good physical demand in active trading, as prospects for the dollar remained uncertain.

Moreover, results of Tuesday's US gold auction, which brought the highest average price so far were viewed favorably.

The dollar made a late rally following the White House statement that President Carter is deeply concerned over the dollar's decline and wants a study on ways to deal with the situation.

The statement said in part:

"The sharp decline in the dollar and disorderly market conditions, at a time when the US trade position is showing signs of real improvement, could threaten progress towards dealing with our inflation and achieving orderly growth at home and abroad."

The President requested the Treasury Secretary and the chairman of the Federal Reserve Board to consider what action might be appropriate to deal with the situation.

The dollar opened lower, but staged a recovery on European foreign exchange markets after its sudden rise from record depths on Tuesday.

The belief on the markets appears to be that the dollar's dramatic fall of the past week may have gone too far, and many dealers are worried they will be left with too few dollars if the dollar comes back.

The pound, which on Tuesday morning briefly went above $2 for the first time since March 1976, fell back slightly from yesterday's opening of $1.9676.

One factor thought to be bringing caution to the foreign exchange markets was a meeting yesterday of the Swiss Cabinet on economic and financial matters.

The dollar's position against other main currencies: 1.9440 marks (compared with 1.9505 on Tuesday night), 1.5845 Swiss francs (1.6800), 4.2935 French francs (4.2178) and 184.00 yen ($142.25). —靠谱-Reuters.
Gold price takes a tumble

By NEIL BEHRMANN

LONDON. — THE PRICE of gold slumped in London yesterday following President Carter's statement that the Administration and Federal Reserve Bank would study ways to steady the dollar. Gold was fixed at $218.45 in the morning and slumped further in the afternoon to $209.

This compares with Wednesday afternoon's fixing of $215.70.

Gold futures plummeted on the New York Commodity Exchange and the International Monetary Market in active trading in the wake of President Carter's plan to study the Dollar's weakness and ways to stem its decline.

On the IMM prices were off $2.90 to 6 and prices on the Comex were down 2.00 to 5.

In Zurich gold closed sharply lower at $298.75/302.20, down from $301.50/216.25 overnight.

In hectic and nervous conditions, it met large speculative selling and profit-taking. Swiss and German dealers had been expecting a reaction, but said there was firm support for gold at about $300, unless the United States Treasury announced sales of a large quantity of gold.

In this instance gold could fall below $300 because stop-loss orders would cause a sharp sell-off in the United States.

A German banker said good physical demand continued at prices over $300. With the European summer holidays nearly over, he forecast that industrial buyers would be in the market again. The banker said the United States Administration still did not understand the workings of the gold market.

For this reason, the recent Treasury sales failed to halt the gold bull market. In particular, he stressed the importance of supplies coming from the major producers, South Africa and Russia.

The bankers said Russia was a heavy seller of gold when the price was about $185 and Swiss bankers estimate that record quantities have been sold in the buoyant market.

The German banker estimates that Russia has sold three-quarters of its normal annual sales. This suggests that 300 tons of Russian gold has been sold.

He says that to receive a higher average price, Russia will keep sales at a trickle and Swiss bankers confirmed this by saying that Russian gold offerings had been below average in the last few days.

Kruegerand sales are down in Germany where there has been some disbanding, but turnover is reported to be high in the United States.

A Swiss banker said there had been below-average sales on the free market from South Africa. With producers' sales lower than production, speculative and investment liquidation knocked a market which was overbought.

Foreign exchange dealers said the decline of the dollar was also overdone and that a rally was overdue. But dealers wondered what the Carter Administration could really do.

The swap facilities could be used to support the dollar, and the United States Administration could raise interest rates and curb the money supply. Wall Street, however, continued to move higher, indicating that these moves were discount.

$7 drop on day in London

Gold closed almost $7 lower on the day in London and finished at $209.25, compared with Wednesday's closing figure of $214.00/215.20.

The gold market, like the foreign exchanges, was highly apprehensive ahead of President Carter's Press conference late yesterday. Some dealers attributed gold's decline simply to the dollar's strength, and others saw in addition a technical reaction.

CLOSING prices: London $209.25; Paris $207.18; Frankfurt $210.18; Zurich $209.125; Hong Kong $207.15.

All dealers said there was no sign of demand for gold in spite of the dollar's recovery, as was noted on Wednesday, but they said there was large volume in active two-way business all day.

(59)
Gold rides the waves

The scramble out of the dollar into hard currencies and the yellow metal has brought out the gold bugs again.

Currency turmoil, never far below the surface, has broken out again. The yen has risen to a post-war high against the dollar at 184 and shows no sign of stabilising, though the pressure on Japan’s export geared economy must be intense. Most other currencies have moved up against the dollar and the Swiss franc has reached a new high.

What has gone wrong? The short answer is everything. Despite the US economy’s massive underlying strength, its financial sector is in a mess. Inflation is running at an annualised 10.8%. Interest rates are moving up to record levels. The trade deficit is officially expected to exceed last year’s and even with North Slope oil, the oil component remains obstinately high.

As so often before, the US economy is at the crossroads where policymakers must choose between a dose of deflation to try and restore equilibrium, or a continued dash for growth despite the fact that the present expansionary cycle, 40 months old, is the longest upswing since 1945.

Inflation tends to have the greater impact on the gold price. It means that holders of dollar-denominated assets need higher returns to compensate for the decline in dollar purchasing power. Add this to the vast overhang of dollars already in foreign hands and the ingredients for a flight into other currencies and gold are all there.

While inflation in the US tends to be bullish for gold, the deflationary path need not be totally bearish. It revives old doubts about the viability of the US banking system and the quality of its debts. It is a fair bet that before 1978 is out the gold bugs will have another noisy field day. LDC debts, New York loans and the plight of REITs and tankers — the whole Crash of 79 scenario — will all be trotted out again and gold will feature as “the one asset that does not default.”

EEC RESERVES

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<th>Currencies</th>
<th>Gold ($m)</th>
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Through $200... but what’s a $?

The latest strength of the gold price, with wide daily fluctuations, bears some of the hallmarks of the beginning of another speculative binge in the metal. It comes at a time when underlying demand from the jewellery industry is still strong, and when the return to work after the northern hemisphere vacation period should stimulate demand, probably around September.

The gold jewellery industry can handle a steady rise in the price, but fluctuations are the killer; and the recent tendency for the price to move up or down $10 in a few days plays havoc with key manufacturers’ stock values. The rise in hard currencies may minimise the disruption.

Taking the yen, for instance, at the beginning of 1978, gold was $162 and the yen 242 to the dollar. Hence one ounce of gold cost Y39 204. Today, with gold at $205 and the dollar at Y184, one ounce of gold costs only Y37 720.

With the yen in the spotlight it is worth recapping on the Japanese policy declared earlier in the year. On April 19, the International Trade and Industry Ministry (Mit) announced plans to stockpile gold for industrial use and to reduce the country’s current account surplus. This involved a so-called “semi-official organisation,” funded with dollar loans, which would buy gold in London, Zurich and other markets at the expense and risk of the Japanese government, which would also bear the interest payment.

Pearl Harbour

The timing of the US response to this financial Pearl Harbour, made respectable by the amendment to the IMF articles which talked gold out of the monetary system, enabling the Japanese to stockpile the metal like any other commodity, was predictable. On April 20, the US Treasury announced its plans to sell 1.8m oz of gold over six months in order to stabilise the dollar.

Other monetary developments have improved sentiment for gold too. The new plans for a European Currency Unit (ECU) call for EEC members to establish “an initial supply of ECUs.” The method of creation called for at last month’s Bremer summit was for member countries to set up a fund containing up to 20% of the stock of US dollars and gold currently held by member central banks.

The plan is at an early stage, but has considerable political momentum, mainly flowing from the backing of France and Germany. The table shows the extent of the EEC members’ reserves, including gold at the current price, and it is clear that 20% would constitute a $30 000m monetary fund whose major asset would be gold at the market price.

What effect these developments will have on the gold price is anyone’s guess. What is clear is that with $200 breached, speculative, industrial, and monetary factors may take the gold price much higher. Only fools or crooks will try to predict how far or when.
HOLLARD STREET

Gold shares high enough for time being

THE Hollard Street gold board was reined in this week. Investors, their boots filled with gold shares, seem to have taken the view that the bullion price has risen too far, too fast and that gold shares have followed it high enough for the time being.

A certain nervousness was noted on the JSE as profits were taken and the buying interest died down. Gold shares were held back further by the strength of the securities rand. This investment vehicle was quoted at 77½ on Thursday, making South African equities that much more expensive for overseas investors.

And the nervousness was confirmed by Thursday's sell-off in the gold price. Following American statements that the dollar had sold far enough, and ahead of President Carter's press conference, bullion dropped below the 210 dollar mark.

It didn't stay there long — President Carter said little that impressed anyone, and offered no rescue package for his failing currency, and on Friday bullion markets were picking up again.

After some confusion Hollard Street's gold board took its cue from the former gold price and the shares hardened up a little. However the market ended the week looking tired after its recent run and the index had slipped considerably from last week's 410 plus levels.

Market volumes dropped below the high levels seen a week ago, and brokers report that trading was rather slow. Nevertheless over two million shares changed hands each day — an improvement on a year ago.

The metal and mineral shares slipped faster than gold shares this week, taking their index down to 1,140. Platinums eased despite news that Impala and Bishplet are to merge, and talk that Rusplatt will soon increase its selling price.

Albeit with a time lag, the mining houses and holdings moved much in line with the producers. Notable movements were the 7½ rise in JCI on speculation over its relationship with Anglo, and Anglo itself which moved up ahead of the chairman's report, before losing the gains later in the week.

A steady diet of company news was fed to the industrial market which was the only sector to hold its gains. The index moved from last Friday's 668 points to around 685.

Greaterman's pyramid holding companies Griffon and Gresham's returned to the lists this week with details of the Pedchem takeover of the chainstore group. But, apart from a 30 C rise in parent Griffon, little reaction was seen.

Bradlows marched north, the market was disappointed in the Ahercom results, and Hulett rose on news that it intends tightening its belt. But neither Guardian nor Liberty Life reacted to the higher profits and fatter dividends announced this week.

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Reserve Bank sees economy on the mend

By Michael Chester, Financial Editor

Firm evidence of an economy on the mend was provided today with the release of the SA Reserve Bank annual review showing a sweeping increase of 7.5 percent in the volume of production in the manufacturing sector in the first half of 1978.

Merchandise exports — leaving gold aside — panned 20 percent higher in the 1977/78 year ended June 30 to reach a record R6.765m. Significantly the peak was achieved by a boost in the volume of overseas sales rather than by price increases.

Moreover, the value of merchandise exports on the newest count taken at mid-year, allowing for seasonal trends, was racing ahead even faster at an annual rate of R7.461m.

The current account of the balance of payments swung about from a deficit of R1.056m in 1977/78 to a surplus of R884m in the 12 months to June 30.

STILL BETTER

The new allies in the export drive were the new harbours at Richards Bay and Saldanha Bay handling shipments of coal and iron ore.

Gold earnings overseas pumped R3.218m into the current account — an increase of 31 percent over the 1976/77 total. The bullion price recovered on world markets. Since the increase came about with the average gold price put at 165.80 dollars an ounce, the more recent surge above 200 dollars promises still better to come.

CAPITAL OUTFLOW

The rise in merchandise imports was held at 5.9 percent to reach R7.360m, though in the second quarter of 1978 the annual rate was running at R8.204m as the economic recovery generated a renewed demand for overseas supplies.

Net invisible payments to the rest of the world saw a gentle lift from R1.513m to R1.669m.

More credit to the Reserve Bank, however, were capital movements. The net capital outflow soared to R1.054m — even higher than the surplus on the current account. The severity of the reversal is put in perspective by comparing the outflow with the net inflow of R1.664m in 1975/76.

The private sector contribution to the new outflow amounted to R811m and the central government total was R860m in the combination of short-term and long-term capital.

To be borne in mind, however, is that most of the outflow was in short-term capital — and a significant slice of it was used to repay foreign loans that had been raised to bolster foreign exchange holdings.

All in all, the gross gold and other foreign reserves increased by R1.056m in the 12 months to June 30 to a new level of R1.229m.

But the increase was entirely due to the realisation of official gold holdings at market-related prices since April. If one takes into account only balance of payments transactions, the reserves show an actual decline of R80m.

Perhaps the most positive sign of economic recovery is that real gross domestic product pulled out of a fall in the second half of 1977 to climb back into an annual growth rate of 3.5 percent in the first six months of 1978 — a pace that can only kindle optimism.

STOCK SCOPE

So far into 1978, the volume of wholesale and retail sales is running about 2 percent higher — after all bad vibes considering the rate of inflation.

Also, since the level of total inventories at constant 1970 prices tumbled by as much as R500m in 1977/78, there is now quite a bit of scope on the production side to re-stock the shelves to more normal levels apart from meeting increasing demand.
Gobbling up the gold

The US Treasury has embarked on a dangerous game in its decision to step up gold sales from the 300,000 oz per month rate, established in May, to 750,000 oz from November. Sales at the new rate will last until February, when the programme will be reviewed. But US Treasury sources hinted, when this week's announcement was made, that the programme will continue beyond February, perhaps at an even higher rate.

This week, the performance of bullion, which fluctuated widely between $204.90 and $215.75, suggested that something was in the wind. But when the announcement of stepped-up sales came, it knocked the price back only $9 — a matter of 4% — to $198.35, and the price had improved by the second fix to $202.20. The $198.35 fix was the first at under $200 since July 27.

The announcement, which was made at a time when physical demand for gold is at a relatively low ebb because of the northern hemisphere holiday season, has had limited initial success in its primary aim of cooling down the gold price. US Treasury sales, like the efforts of the boy who cried wolf, could prove to have a decreasingly significant effect on gold.

The game is dangerous for the US because these sales are a de facto opening of the gold window, closed in 1971. By its moves this year, the US Treasury is converting dollars into gold, on an increasing scale. The only difference is that it is by monthly tender at a fluctuating price instead of at a fixed price of $35.

The latter price, in its last years, was well described as "the price at which the US refuses to sell gold." But now gold is being sold or converted once again.

How even the muddled thinkers of the Carter administration can regard this as defence of the dollar is beyond the power of rational men to imagine. This week's announcement from the US Treasury said the higher level of gold sales would "represent further progress towards eliminating the international monetary role of gold." For those who watch the ball rather than the man, the truth is exactly the reverse.

If sales are maintained at 750,000 oz, the US Treasury will become the world's third largest gold producer at 9m oz per year. This compares with estimates of about 14m oz for the USSR (in the No 2 spot) and 22m oz for SA this year.

Since the US Treasury purports to hold about 270m oz in Fort Knox and other vaults, the planned rate of selling would deplete those reserves in 30 years. Thus life of the US Treasury's gold hoard is comparable with some of SA's long-life mines, but considerably shorter than the lives of such mines as Randfontein, East Driefontein and Western Deep.

The 270m oz hoard seems like an awful lot of gold, but the people who buy gold have an awful lot of dollars to play the game with. Estimates of the Eurodollar market vary, but figures upwards of $500m are common. This sum is expanding every year to the extent of the net US deficit. The Economist, hardly a gold bug newsletter, observed in January that "a
decision by the owners of these dollars to convert just 1% of them into other currencies or gold (FM) would cause the biggest exodus across the exchanges ever seen."

So far it is doubtful whether 0.1% has moved across the exchanges. Even at this rate, the US Treasury's moves may well blow up in its face. The most powerful arguments against gold in the past have been inadequate supply and excessive volatility. But currencies have become even more volatile than gold. And, as I have frequently argued before, increase the supply, even at current prices, and you will end up creating new demand where none existed before. Richard Raffen

Financial Mail August 25 1978
GOLD PRICE EXPECTED TO HOLD

JOHANNESBURG — The gold price should hold around current levels in spite of the U.S. Treasury decision to increase its gold auctions, the Chamber of Mines said in a statement here yesterday.

"The new and more substantial series of gold auctions announced by the U.S. Treasury must be considered to be the first of a package of measures that may be introduced to prop up the dollar," the Chamber said.

"Quite obviously, the sales will not, on their own, be sufficient to solve the fundamental problems underlying the dollar, which includes the huge trade deficit and renewed signs that inflation is increasing in the United States."

The Chamber said the auctions were nevertheless an early indication that the United States was preparing to do something concrete in an attempt to halt a further weakening of the dollar.

It remained to be seen what other measures would be introduced. The first of the new auctions is scheduled for November. — (Sapa.)
Steady, Gold!

Price may go up or down but there won't be a big dip

By Esmond Frank

The price of gold may fluctuate, but is unlikely to dip dramatically, according to Dennis Etheridge, chairman of Anglo American Corporation's gold and uranium division.

Attributing recent spectacular developments in the gold market to investment by speculators seeking a hedge against the dollar, he says the price fluctuates because many of them are more interested in the profits they could make rather than in the metal itself.

"Price swings of 20 dollars up or down over a period of days are therefore not to be unexpected," he said.

But Etheridge says the important feature of the gold market is its underlying strength buoyed by growing industrial demand, particularly in the jewelry sector, and genuine long-term investments.

"This," he points out, "indicates that there are a large number of people and institutions who are interested in maintaining a high price for gold."

Although he believes forecasting is dangerous in a market as complex as that for gold, he predicts that the gold price stands a 50 percent chance of being more than 180 dollars by the middle of next year.

And his crystal ball tells him that it stands a 60 percent chance of being more than 200 dollars and a 30 percent chance of being more than 230 dollars.

Etheridge warns, however, that the high-price gold, which may this year earn the Free State mines R306 million, could obscure the fact that production, particularly at the Welkom mines, is falling.

The total tonnage mined increased by 11 percent between 1972 and 1978 but production at the Welkom mines had dropped by 37 percent from 341,000 tons to 214,000 tons because grades were lower.

"The mines in the Welkom area are old and a few are expected to cease operations in the 1980s, many more in the 1990s and the remainder in the early years of the 21st century," he said.

He points out that while revenue from the Welkom mines has increased by 172 percent since 1971, costs have escalated by more than 200 percent and profits have fallen by about 149 percent.

Although he personally has no doubts about Welkom's long-term future, he urges the local authorities to plan the city for a future without gold mines.
The recent surge in gold prices has been attributed to various factors, including geopolitical tensions, inflation fears, and changes in central bank policies. However, there are concerns about the sustainability of this price trend, as some analysts predict a potential pullback in the near future.

In the short term, gold remains a haven asset, and its price is likely to be influenced by economic data and monetary policy decisions. In the longer term, the prospects for gold depend on the resolution of geopolitical conflicts and the trajectory of the global economy.
Gold equals record level, then eases

BY NEIL BEHRMANN

LONDON. — Gold equalled its record level of $215.90 in London yesterday morning before easing fractionally to $215.65 at the afternoon fixing. The Wednesday second fixing was $213.60.

Continuing weakness of the dollar was the reason for the new gold surge.

In between fixings yesterday gold was quoted at nearly $217 but it was just below $216 in after hours dealings.

A Swiss banker said that foreign exchange dealers were becoming more and more frightened to go short of the dollar, however.

He said when the turnaround comes the dollar could rally 10 to 20 points against currencies, especially the Swiss franc.

But no one is prepared to predict the bottom, because in the short run the wildly gyrating currencies have thwarted logical economic forecasts.

One example is that since mid-1977 the Swiss franc has appreciated by nearly 25% against the German mark despite the fact that there is little economic justification to warrant it.

A London bullion dealer is wary of the outlook and maintains that any further dollar depreciation would eventually make the currency's turn vicious.

Putting aside the short term fluctuations of the gold price for the moment it is easy to see why bullion managers are becoming more recalcitrant on forecasts of any marked appreciation.

From November this year the US treasury will be selling 25 tons of gold a month.

Current bullion market estimates put Western and Eastern bloc sales at an average of 117.5 tons a month.

With the higher auctions, sales supplies from official sources could be as high as 35.5 tons.

This puts monthly supplies at 154 tons.

Industrial offtake is expected to increase from 118 tons a month to 119 tons.

This leaves a balance of 35 tons to be filled by hoarders, investors and speculators.

Even if the International Monetary Fund reduces its sale from 15 tons to 10 tons the investment offtake would have to amount to 30 tons, according to the estimates.

This, of course, assumes that central banks will not be buying gold.

The gold bugs and dollar bears are blandly assuming that investment and hoarding offtake will be around 400 tons on an annual basis.

But what the statistics do not take into account is the increase in investment stocks over the past two years.

Recently Credit Suisse estimated that in addition to the 220 tons which were bought by investors and hoarders in 1977 a further 350 tons will have been bought this year.

These estimates were made prior to the latest rush into gold.

If these investors decide to take some of their profits, any gold price reaction could be more dramatic than expected.

Gold bulls are thus betting on a massive sell-off of the dollar in the short run.

They might be right, but the risk/reward ratio is becoming more and more unfavourable.

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The R-squared amongst the independent variables was .66.

All the workers with different legal statuses, the few instances found to be significant, they had are at an advantage over the co-wage earners.

This would suggest that Wolpe's workers who have more resources in higher wages. But we do not see any bargaining power enters into these.

resources do not bargain for the 10(1)b workers who have personal advantage gives them the opportunity to increase their income.

The more capable their selves, the greater is the worker.

In addition, continued residence area could mean that the 10(1)b have better connections to other a set of interrelated legal and positive influence of homeland workers in Cape Town.

2.17 Remittances to Homelands

Remittances sent by workers in the homelands are of vital importance to the dependency of this remittance makes the difference from malnutrition or not. 52 We

52. Trudi Thomas (1973), p.11.
Gold price reaches new heights

By NEIL BEHRMANN

LONDON. — The price of gold hit all-time highs in London and Zurich yesterday. The price was fixed at $216.50 in the morning in the wake of the surge on the New York market last Friday and in the afternoon it rose still more and was fixed at $218.40.

The way in which gold traded after the fixing indicated that it was coming off the boil, however.

Early American trading in futures were hesitant and there were cautionary signals in post-fixing European markets.

Futures opened lower in apparent profit-taking after Friday's run up to record highs.

On the international monetary market, prices were $2,30 to $1,50 lower with the December contract opening at $221.00/222.50 — off $1.80 to $2.50.

Prices on the New York commodity exchange were $1 to $1,50 lower with the October contract opening at $218.00/219.50 — down between $1.50 and $1.

Bullion dealers in London and Zurich say the market is being dominated by speculative activity.

According to bullion analysts, 300,000 contracts of gold were traded on the New York Comex in 1975. The volume rose to 479,000 contracts in 1976 and to 1,400,000 contracts in 1977.

In the past four trading weeks, however, about 800,000 contracts have been traded on Comex — an annual rate of 4.500,000 contracts. Since a single contract consists of 100 ounces of gold, a simplistic deduction is that in the past four weeks the volume of speculative activity exceeded the annual production rates of South Africa and Russia.

The activity on the gold market is taking on the look of the 1979 boom in South African industrials and the top end of the 1973-1974 boom on the gold share market.

One can recall that in those days there were wild swings at the top of the market, illustrating the volume of speculative activity. Issues such as Village Main Reef were in demand while in the 1969 bull market, issues like Glen Anil, Pegasus Pool and others, which are no longer on the Johannesburg Stock Exchange boards. During that hectic days, the few who issued cautionary warnings proved to be wrong in the short run and were called fools.

In the current gold speculative spurt there is no telling where the top of the market is, but all the danger signals are flashing.

The dollar, sank to a new all-time low against the Swiss franc, which is currently just above 1.50 against the dollar — levels thought unbelievable a year ago.

Currency dealers, accustomed to seeing the dollar decline week after week, also snigger when suggestions are made that Swiss francs should be sold for dollars. The Swiss franc is more than 9% higher than a year ago. Three months Eurodollars are offering an interest rate of 7.25%, compared with 5.5% on the Swiss franc.

The latest weekly report of the Mining Journal cautions that the determination of the United States agencies to control the gold price must have "some adverse effects on speculative demand".

"The recent move to increase the General Sales Administration offerings from 300,000 a month to 750,000 ounces a month, with further commitment to review the situation at the end of the year — no doubt to increase the offering in the context of the relative strength of the market at the time and any requirements to support the dollar further — must dampen prospects for sustained price growth for gold in the short term."
Gold soars to record $221

Financial Reporter

GOLD was fixed at a record $221.40 in London yesterday afternoon. This compares with the previous best of $219.10 set last Tuesday. The morning fixing yesterday was $218.80 against Monday's second fixing of $217.10.

Gold's afternoon strength came on US buying in fairly active trading, dealers said. The continuing dollar weakness contributed to gold's rise. Fluctuations in the fixing session ranged between $221 and $222. In post-fix trading quotes were around $221.30/$221.90.

Gold closed in London around $222.50.

The rapid rise in the price following the New York opening and firm sentiment since was attributed partly to the liquidation of Swiss franc holdings helped by further dollar weakening on foreign exchange markets yesterday afternoon.

The market is expected to absorb the next IMF auction scheduled for today at current levels, say dealers.

United States gold futures opened higher in active trade, largely on carryover buying from Monday's rally. Underlying support came from the weakness of the dollar.

On the New York Commodity Exchange, prices were 40c to $1.20 higher. International Monetary Market prices were up 30c to $1.10.

Nervous operators rushing to convert Swiss and American currency into stable marks triggered hectic trading on European money markets as the dollar plummeted to a record late trading low against the powerful mark.

Dealers said the money markets still were reacting to last weekend's announcement by the Swiss National Bank that it intended to take action to lower what it considered the inflated value of the Swiss franc. However, its exact intentions remain unclear and that uncertainty apparently contributed to the widespread selling of Swiss francs.

In Tokyo the dollar dropped nearly one yen in a second day of very light trading. It closed at 188,875 yen, down from 189.80 yen on Monday and 189.15 yen last Friday.

Dealers said the dollar's decline reflected its drop in European and US markets, although there was little interest in Tokyo in either buying or selling dollars.

The dollar was quoted lower at around 1,575/5/6 Swiss francs in Zurich in late trading despite further heavy support to intervention, dealers said.

The dollar fell to a record trading low of 1.9155/60 marks in Frankfurt, below the previous record 1.9165/40 set on August 12.

In London the dollar eased to 1.5700/50 Swiss francs from 1.5860/60 at midday, and sterling rose to $1.9726/36 from $1.9697/73.

Sterling showed little reaction to the statement by the Prime Minister, Mr James Callaghan, that the Government would take offsetting fiscal and monetary measures if necessary to keep inflation within single figures.

This followed the Labour Party's rejection of his Government's 5% pay norm policy.

Dealers said Mr Callaghan was merely echoing the words of the Chancellor of the Exchequer, Mr Denis Healey.

Mr Callaghan also promised the Government would step up the direct attack on rising prices.

The price of the Krugerrand in German marks seems to be rising steadily towards a record high, says the International Gold Corporation.

The Krugerrand was 20% up in September on the year-ago level at 450 marks compared with its record 500 marks reached at the end of 1973. Worldwide Krugerrand sales in September rose 48%, to 342,957 coins (over 10 tons of pure gold) and sales in the first nine months of 1978 were over 3,800,000, already above the 1977 total of 3,300,000.

Following the surge of gold, spot London platinum was trading at $229.50 yesterday — near the $230 predicted by dealers a few months ago. Reports NEIL BEHRMANN FROM LONDON.

Emphasizing the confusion in the gold market, an American commodity service, Green's Commodity Market Comments, was consistently bearish from the $190 to $190 mark to the price range of around $215 and higher.

Despite the actual deterioration in gold's fundamentals, considering the heavy speculative buying over the past few months, this service has become bullish again.

"Since the middle of August," says Green's, "it has been our contention that gold should be traded on the short side."

"It is now, however, our opinion that for a while gold from the long side may prove more profitable."

The switchover of forecasts of this and other services plus bullish dealers are an indication on how quickly traders are changing their opinions — showing the speculative nature of the market.

"..."
Gold firm despite IMF auction

By NEIL BEHRMANN

LONDON. — Gold remains firm in spite of central bank intervention to help the dollar and the low volume of bids at the latest International Monetary Fund auction. A record average price of $252.37 dollars was accepted at the auction.

The fund received competitive bids of only 800,000 ounces, however — slightly higher than last month’s auction’s but only marginally higher than the 750,000 ounces which will be sold by the US Treasury from next month onwards.

Non-competitive bidders — from Third World members of the IMF — bid for 134,000 ounces. So the total absorbed by these official holders in the past five auctions has been just under 1,300,000 ounces.

In the first auction, however, India bought over 800,000 ounces for sale at its own auctions.

Third World nations have the option to buy a further 2,000,000 ounces until May next year.

With uncertainty in the currency markets, bullion dealers are reluctant to make any predictions. But three independent London dealers say that heavy long speculative positions in gold have been built up recently.

Buying has been from all sources and one dealer said: “Investors are going long of gold and short of dollars.”

The open position in New York is an enormous 87,000 contracts. This paper trading represents 8,700,000 ounces of gold, or 270 tons. Swiss and London bullion dealers maintain that this represents mainly long positions.

A London merchant banker who advises multinational companies and central banks on currencies said the process of diversification out of dollars would continue over the long term.

“But for the present I would not be short of dollars”, he said. “Any firm policy statement in regard to the dollar could push the American currency sharply upwards.”

Bankers maintain that extensive dollar short positions have been built up. This occurs when banks in the Euro-markets — the international money and capital market — borrow dollars to buy other currencies.

Recently the run was into the Swiss franc, but those speculators have taken a beating. From a high of 1.45, the Swiss franc has fallen by 9% to the 1.58 to 1.59 range.

The Federal Reserve Board tested the market and bought dollars late on Wednesday.

The Swiss franc, which was trading at 1.55, fell quickly to 1.60, illustrating the extent of short positions in the market.

Yesterday, with minimal intervention and a higher wholesale price index in the United States, currency and gold markets traded nervously sideways.

From a fundamental point of view the platinum market is a lot sounder. The predicted squeeze has arrived and the price is not far off $300. Dealers said that there was good Japanese buying, even though platinum was now appreciating in yen terms as well.

Dealers reckoned that Impala was considering whether it should follow Rustenburg’s increase from $250 to $260. The problem, however, is whether Impala should post an even larger increase now that the free market price is much higher than the producer price.

With confusion in the currency markets the decision is difficult.
1. GENERAL INTRODUCTION

The socio-economic causes of ill-health in the South African population have been widely recognised. In recent years, people at mission hospitals, particularly, have coined implement projects aimed at countering malnutrition and other poverty related diseases. Examples of such projects are feeding schemes, nutrition rehabilitation centres and employment centres such as small factories and home industries. All of these projects entail external management and resources and thus can only cover limited areas. Partly for this reason and also because of a common fear of crowding.

Gold pushes reserves over R2 000m

By ROLAND PRECIE

Thus the net change in the gold reserves was minus R1,97 million. In the preceding two quarters the reserves had increased by R7,7 million and R6,3 million respectively. The authorities have not revealed the actual gold reserves, but it is estimated that they are now in the vicinity of R500 million. There was, however, an unusual outflow of gold during the quarter due to the gold's depreciation in the arm.

The reserves have dropped from R584 million in the middle of March to R534 million in the middle of April, which is a drop of minus R50 million. Between the end of March and the beginning of April, the net change in the reserves was minus R1,97 million. The authorities have not revealed the actual gold reserves, but it is estimated that they are now in the vicinity of R500 million. There was, however, an unusual outflow of gold during the quarter due to the gold's depreciation in the arm.

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2. INTRODUCTION & BACKGROUND INFORMATION TO PROJECTS SECTION

I have chosen to focus on one distinct project to be able to show more clearly how a particular social and economic system works: how all the parts are integrated into a whole.

The description is very detailed because I am specifically trying to show what kind of information one needs, to be able to work out whom a project really is as it works. When I first heard of and visited these very impressed, projects are generally described by their organizers and donors generally only get to see or hear what they want them to.

I hope readers will realise, the intentions of these people come from the results of their actions.

PART II

INTRODUCTION

"Stand the agricultural and general layout of villages, so that land is allocated. The rehabilitation project, Betterment schemes or locally "Trust", divides the land into residential sites, blocks of fields and camps for grazing. Each is off from each other. The intention behind this is to prevent movement of land.

It is also easier to provide services such as schools, clinics and water when the people are living together in villages instead of in scattered homesteads.

However, this physical reorganisation was only a small part of the stated aims of the policy: "Ultimately, the transformation of the rural community is sought by means of a gradual resettlement of the population in Rural Townships as well as on full economic farm units". (1)
Gold hits new record level

LONDON — Gold bullion prices soared to record highs in Europe yesterday, matching sharp rises in the value of silver and platinum, while the US dollar slumped in fairly active trading.

Gold jumped nearly four dollars an ounce in Zurich and London to hit new peaks in both bullion centres.

The Zurich closing price of $225.625 a troy ounce was an all-time record, up from $221.875 at Monday's close and surpassing the previous Zurich peak of $225.375 at the end of trading last Friday.

In London, gold closed at $225.60, up from $221.75 on Monday and above a previous high of $223.50 last Wednesday.

The London afternoon fixing price was also a new record — $225.30 an ounce.

Dealers said a weaker dollar contributed to gold's advance, but the biggest factor was heavy demand for silver and platinum which pushed towards record levels in European trading amid reports of heavy speculative buying from Switzerland.

Platinum gained about $15 an ounce in London to close at $312.50, while silver was up about $9 at $301.10 an ounce.

Dealers said both metals had been considered undervalued of late. Along with gold, they are in demand because investors are diversifying away from weak currencies such as the dollar, and other paper assets eroded by inflation.

Rhodesian Prime Minister Ian Smith's visit to the United States, emphasising to Americans the fragility of Southern Africa, the source of most of the world's precious metals, may be another reason for a surge in demand, dealers said.

— SAPA-RNS.
SA urged to go into gold options

By John Cavill

LONDON — The world boom on the physical gold market and the futures dealings on New York’s commodity exchange, has been more than matched by a sharp jump in turnover on Geneva’s bullion option market.

According to Valeurs White Weld SA, of Geneva, trading on the gold option market in August and September shot up by more than 100 percent compared with the first seven months of 1978.

And White Weld’s chief option dealer, Mr. Malcolm Roback, said: “We feel it is time that South Africa, as a major seller of gold, started to use the advantages of the option market even if for only a small percentage of its production.”

Trading on the Geneva option market averaged 261,000 ounces a week between January and July this year.

But in August and September it climbed to a weekly average of 480,000 ounces — 15,7 tons compared with South Africa’s output of about 14 tons.

The Geneva option market is small when measured against turnover on New York’s Comex which hit a record 3,1m ounces in one day — nearly 100 tons.

PRESSURE

But Comex turnover is based on paper contracts while the Geneva options market requires that sellers of options deposit physical bullion with it, or its biggest shareholder, Credit Suisse (which has 46 percent of Valeurs White Weld, while 31 percent is held by First Boston Corporation of America and 23 percent by others).

Mr. Roback said the reason for the gold option boom was mainly the pressure by the Swiss National Bank to stem switching out of dollars into Swiss francs.

On today’s prices, Valeurs White Weld was offering gold (in five kilogram lots) for February delivery at 225 dollars an ounce with a premium of 13.25 dollars to a seller and 14.25 dollars to a buyer.

“This means that if a buyer exercises his option, he can take delivery at 225 dollars at the end of February when the price of gold will have to be 239.25 dollars for him to break even,” said Mr. Roback.

“In the seller’s case he receives 13.25 dollars now and 238.25 dollars if the option is taken up.”

“The advantage to a buyer is that his risk is limited to the premium he pays while in the seller’s case he gets the premium which offers a hedge against a sharp fall in the bullion price.”
Poorer nations want gold and more gold

BY PAUL DIAMOND

WITH the gold price sitting on its new excited plateau, South Africa is expected to reap a golden harvest of R6 500m this year.

But, perhaps more important, gold has, for all intents and purposes, re-established itself as a monetary unit and reserve asset and there is a strong and urgent demand for it from the developing nations of the world.

The International Monetary Fund and the US Treasury, for all their efforts at driving gold from the monetary system, have seen all their plans backfire and instead simply fuelled the boom in gold.

"With the pure spirit that is given to all great crusaders, the IMF set off three years ago to spare the world's poorest countries the hardships associated with the use of gold in the world's monetary system," writes the London Daily Mail's Patrick Sergeant.

To aid the under-developed nations the IMF, with the active backing of the US Treasury, began selling part of the gold deposited with it by its members, principally the richer industrial nations, and placing the proceeds from its auctions into a trust fund or "poor box" for those countries whose need was greater.

The IMF's allocation of gold for this venture three years ago was 250m ounces (a sixth of its gold holdings) of which 104 of the poorest nations in the world were entitled to 6.75m ounces. And every month for three years 525 000 ounces of gold were auctioned to build up a huge "poor box" of $1 000m.

In April disillusionment set in when the poorer nations indicated how they would like their share of the "take". They didn't want it in dollars or SDR's - they wanted it in gold and nothing else.

India indicated that it wanted 800 000 ounces of gold and took the lot. Mexico, Tanzania, Kenya and Nepal also queued up for gold. So far about 40 countries have indicated that they want gold.

To rub salt into the wound, Japan has now indicated that it will stockpile gold in official reserves to cut down on its intake of dollars.

From June, 1976 the IMF has sold a total of 14 430 800 ounces of gold and what has emerged from these sales is that the market can easily absorb the gold from the auctions.

For instance, since the first auction, the gold price has doubled. Added to this, purchases by developing nations at the three most recent auctions reflect a very positive monetary-demand for the metal. This further strengthens gold's role as a monetary asset.
Gold goes to $229 then takes a dip

Financial Reporter

GOLD dropped back to $226.75 in London yesterday afternoon after reaching $229 at the morning fixing.
The second fixing on Friday was $227.95.
The Swiss franc, German mark and yen lost some of their opening gains against the dollar in afternoon trading, but the US currency remained weak, dealers said.

Most suspected central bank intervention supported the dollar, whose weakness was a continuation of the pre-weekend and overnight trend.

Spot-taking was evident in the dollar’s gains amid selling described by one dealer as heavy throughout the morning but by another as fairly thin.

Sterling gained against the dollar to a high around 2.0165, while high Eurodollar deposit rates caused the pound’s forward discounts against the dollar to narrow considerably, dealers said.

But they added the pound remained generally weak against European currencies.

After breaching the $2 level last week and sustaining it despite frequent selling orders, the pound is now catching up on gains made by other European currencies against the dollar, dealers said.

The pound was down 16.5 cents against the dollar on Thursday, but was 1.5 cents up on the day.

The yen was reached last August at 181.80 yen.

When the London foreign exchange market—the world’s largest—opened the dollar dropped below the 1.80 level against the German mark for the first time, falling to a record 1.7809 marks at one point before recovering slightly on profit-taking and possible central bank intervention.

Freemarket platinum prices in London aided by further Japanese demand moved to new peaks of 174.50 or $350.00 per troy ounce, at the morning fix.

This compared with 174 and $345.50 on Friday afternoon.

The weakness of the dollar and strength in gold were additional market factors, dealers said.

However, although there may have been some dealer covering against Japanese business activity overall was rather quiet.

The price eased narrowly to $382.25 in his afternoon.

Gold clutched widely before closing four cents below its pre-weekend close at $227.50/$228.00 in fairly active trading, dealers said.

It opened firm as the dollar weakened but the Swiss franc’s ease in the morning attracted sellers of gold into an increasingly nervous market.

New York selling added to this, but the dollar’s decline on its day’s highs brought further firmness for gold before the close.

The average London 1960 Gold fix for the year to date is $189.57.

The average for the fourth quarter to date is $234.67.

First quarter average is $178.35, second quarter average is $178.68 and third quarter average $202.42, reports Reuter.

[Contact the author (as in the squat settlements of Crossroads and KTC Street).]

The schedule, based on a pilot survey completed a few months prepared and a stratified sample chosen. The stratification by type of living quarters, however, was a systematic method of replacing refusals was also

an dor Horst (1964); the field work was carried out over 955 to 105 the tokyo foreign exchange market the dollar tumbled to 181.00 yen in spite of heavy support from the Bank of Japan which was estimated to have bought $200 million in a vain effort to prop up dollar.

Locality

Residential area (permanent residents only); Old Flats; New Flats; Main Barracks; North Barracks; Zones; Special Bachelor Quarters.

A systematic sampling was employed this did not introduce a bias sampling because the population was not systematically distributed.

Gold hits record
230,90 dollars

LONDON — Gold hit another record high of 230,90 dollars an ounce here yesterday afternoon, up from 230,10 at the morning fixing. The new record reflects the renewed weakness of the dollar following President Carter's anti-inflation package, announced on Tuesday, which is regarded in international monetary circles as inadequate.

Platinum was fixed at a record high of 351 dollars too. A German banker described gold as a hard currency which investors were preferring to dollars. But in terms of Swiss francs and Deutsche marks the price had recently declined.

He said it was impossible to predict the price on normal supply and demand considerations. "It solely depends on the moves of the dollar, for the moment," he said.

The latest Review of Metals Analysis and Outlook, previously issued under the auspices of Charter Consolidated and now edited by former members of Charter Research and Economic Services, Dr. Wynn Davies and Reg Eccles, is cautious about the short-term prospects for gold.

**Dollar undervalued**

"We see little prospect for material improvement in the average gold price next year," says the review. Metals Analysis predicts an average gold price of 190 to 195 dollars this year.

In the longer term, the firm is more bullish. "Free world mine production has declined 25 percent in the last decade and now only satisfies some 70 percent of fabricators' requirements,\" the review states. Platinum dealers said that there was continual Japanese demand. But they are becoming worried about the present state of the market, especially since the high platinum price could meet resistance by the jewellery industry in Japan.

In an assessment of platinum, Metals Analysis says that the drawdown of stocks this year will virtually eliminate cumulative stock increases between 1974 and 1977. If Soviet sales do not recover, the firm estimates further de-stocking in 1979.

— (Sapa-Reuter.)
Horwood tells of SA trade recovery

By GORDON KJING

The gold price soared to record highs yesterday as doubts on the strength of South Africa's infant economic recovery gave way to renewed optimism with a dramatic reversal in worrisome foreign trade trends and new official indications of a vast improvement in foreign investor confidence in the country.

The Minister of Finance, Senator Owen Horwood, has disclosed in an exclusive interview with the Cape Times the extent of the improvement in the country's credit rating with banks in Europe and North America in the past few months.

And Department of Customs and Excise figures show a surprising September trade surplus of R314.4 million, compared with R459 million in the previous month, from good exports and a substantial drop in imports.

The favourable balance for the year now stands at R611.8 million compared with R2.8 million in the first nine months of 1977.

Economists had feared a deterioration in the trade performance because the gathering recovery was expected to increase imports while world economic trends mitigated against exports from the Republic.

Other bullish factors in the economy recently relieved from the threat of imminent sanctions include the strong

Senator Horwood

good. But he believed they could well prove to be only a pleasant interlude in the current trend.

A relaxed and contented Senator Horwood said in a telephone interview from Johannesburg last night that "the infrastructural spending on projects like the country's two new harbours at Saldanha and Richards Bay were now paying off, and the recovery would continue.

"I have all along had a strong

The recovery was also reflected by foreign sentiment. The government, which has not gone to overseas capital markets for two years, could now negotiate substantial loans abroad at better terms than had been the case for some time.

"Six or eight months ago the maturity on these loans would have been only about two years, now it's six years. I'm seriously considering the possibility of taking up some more money to boost confidence and the cash content of our foreign reserves."

The favourable trade picture obviates the need to finance exports and foreign loans could be used for new job-creating development.

In addition to all this, because it is not reflected in the trade figures, is the gold boom. The price of the metal was fixed at a new high of $234.50 an ounce on the London bullion market yesterday afternoon. South Africa earns about R30 million from every $1 rise in the yellow metal bring-
CHARTIST

We can infer from the chart that the price of gold has been rising steadily over the past few years, with a notable dip in 2018. The gold share also shows a similar trend, with a slight decline in 2018 but recovering and increasing in the following years. The chart suggests that gold is a valuable investment in turbulent economic conditions.

Low Risk Factor in Gold Shares

If you take in the chart, it shows that gold shares have performed well despite the economic downturns. This makes gold a low-risk investment option for those who are concerned about market volatility.
HOLLARD STREET

Golds start to move up the price ladder

THE disconsolate start to this week's trading in Hollard Street was happily not carried through to the end. The rising bullion price — which initially generated little more than a pedestrian interest in the shares — finally overshadowed the political barriers and gave gold shares a hand up the price ladder.

The first few days of trading were marked by a dull atmosphere. Gold shares would not be tempted upwards by any rise in the bullion price and chose to remain only to the small dip they saw. Brokers once again cited the political background as the restraining influences, along with the lack of overseas interest.

But when gold passed the $2.25 dollar mark, small-scale foreign interest reappeared. This gave gold shares the push they needed and the Tribune's gold index rose past 269 points for a 14 point rise in a day. This more than made up for the ground that had been lost earlier in the week.

One feature of the trading in gold shares has been the larger than usual interest in the marginal and less expensive counters. Grootvlei, Durban Deep and even Marievale were well traded this week by local dealers and investors.

This week's overall volumes were better than those seen over the past month. Over 2 million shares traded on average in daily worth — and here is the reason — well over R4 million a day on average.

Although all eyes were on gold, the gold board this week, some interest was shown in industrial shares. These counters continued their steady upward climb taking the Tribune's index from 862 to 860 points plus.

Shares were once again a firm spot, but Scotec proved to be the notable exception. Board room changes are believed to be imminent and the interim results which the market expected within the first two weeks of this month still not in hand.

The continued strength in the industrial market again illustrates the cash which is still slopping around. Institutions continue to retain a generally positive view about the SA economy, in spite of a cautious approach, are backing the better class and established companies rather than going for the second liners.

Excellent results from Anglo (although the 6c increase in the interim dividend was not startling) justifies the share's advance from a low point of 500c earlier this year to a current 1400c. CNA also produced a pleasing set of results and further improvement is expected.

Escom again clipped its interest rates and on Monday application lists for the market's new issue, Kimet, opened. Initial applications for the 25 million shares are reported to be going well.

International metal prices again caused the headlines with platinum the star performer once again. London analysts however warned investors to watch for burnt fingers, as share price reaction was muted and the Tribune's metal index rose only 13 points to 1237 on the week.
Gold’s record plunge

Financial Editor

GOLD tumbled over $15 to $273.50 at the second fixing in London yesterday — the largest daily move ever — after President Carter announced a $30 000 million support package for the dollar.

The gold plunge was further fuelled by an announcement from the US Treasury Secretary, Mr Michael Blumenthal, that the US was sharply increasing its gold sales programme.

Gold was fixed at $238.65 in London yesterday morning compared with Tuesday’s second fixing of $242.60.

It dropped a record $1.15 at the afternoon fixing.

President Carter announced in Washington the establishment of a $30 000 million swap line with Japan, West Germany and Switzerland to support the dollar.

He also announced an unprecedented increase in the Federal Reserve discount rate — the equivalent of Bank Rate — from 8.5% to 9.5%.

US banks were reported afterwards to be putting up prime rate from 10.25% to 10.5%.

Mr Carter said the Federal Reserve was also taking steps to slow bank lending in the US and to increase the incentives for US banks to borrow surplus dollars abroad.

Mr Blumenthal said the US planned to sell 1 500 000 ounces of gold in December compared with 750 000 ounces this month and 300 000 ounces a month since the sale programme began earlier this year.

The monthly programme would be to sell 1 500 000 ounces starting next month.

Mr Blumenthal said that apart from the $30 000 million swap line, the US would borrow $5 000 million from the International Monetary Fund and issue foreign-denominated securities up to a value of $10 000 million.

President Carter said: "The continuing decline in the exchange value of the dollar is clearly not warranted by the fundamental economic situation.

"That decline threatens economic progress at home and abroad and the success of our anti-inflation programme.

"It is now necessary to act to correct the excessive decline in the dollar, which has recently occurred."

Mr Blumenthal said: "The US will, in cooperation with the governments and central banks of Germany, Japan and the Swiss National Bank, intervene in a forceful and coordinated manner in the amounts required to correct the situation.

"The fact is this foreign exchange situation that this programme is designed to correct has gotten out of hand; it must end and will end.

"The dollar's deterioration has already led to a rise in import prices which further fuels inflation and perpetuates a vicious cycle.

"The image of the American economy and its leadership is adversely affected by this.

"Failure to act now would be injurious."
Further fall in price of gold

LONDON — The dollar rose sharply following the opening of Continental foreign exchange markets, which were on holiday on Wednesday. Gold responded with a further decline and was fixed at 220.40 dollars in the morning and 221.50 dollars in the afternoon.

Bullion dealers remarked that the price could decline further because speculators have been locked into their positions on the New York futures exchange.

On those markets, when a price of gold collapses, it goes "limit down," which basically means that the daily fall is limited to 10 dollars.

Some speculators who only need to deposit 1000 dollars for a 100 ounces of gold are thus already losing around 200 percent on their capital invested.

In Europe, anticipating the decline in New York, there was also panic liquidation of gold, especially yesterday morning.

Rally possible

Some stockbrokers believe that it is a good time for bargain hunting of gold and gold shares over the next week. This would indicate that once the dust settles there could be a rally.

But this is where the utmost caution is needed because the indications are that the continuation of bullish thought in the market has been broken. From a statistical point of view gold is not in a healthy situation.

Even assuming an increase in fabrication demand, gold bulls are banking on heavy absorption of gold on the part of the investment and speculative element.

Towards the end of September bullion dealers forecast fabrication demand at 119 tons a month.

U.S. Treasury

Both Western and communist bloc producers are on average selling 118 tons a month.

To this must be added 15 tons from the IMF, and a further 1.5 million ounces of 47 tons a month from the U.S. Treasury.

This leaves total supplies of 180 tons a month, compared with fabrication demand of 119 tons a month. This compared with total supplies of 140 tons last year.

It means that speculators, investors and hoarders must absorb around 61 tons a month to keep the market in balance.

To recap, the great advantage which this method of interview affords is that the researcher is able to form a subjective impression of some of the qualitative factors that influence a firm, or an individual speaking for a firm, in thinking about the employment of African technicians. One is given the opportunity of reading between the lines, so to speak, and thereby disentangling the actual from the mythical situation. The interviewer is thus able to perceive the significance of the various factors which influence an employer in his decision to employ Africans as technicians. The interviewer's prediction of the employer's actual behaviour when it comes to employing African technicians may be more accurate than the employer's perception of his own future behaviour. We hope, for the sake of the accuracy of the recommendations in this report, that this is indeed the case.
Gold drops to $215.20

LONDON. — Gold was fixed sharply down at $215.20 yesterday afternoon after a morning fix at $215.55 — the lowest fix since September 27. Thursday's second fixing was $221.50.

Dealers said trading yesterday afternoon was extremely busy and early-afternoon pessimism on the opening level in New York caused the price to fall as low as $221/$214. It firmed shortly before the fixing. The market continued nervous.

In Zurich, gold plunged to around $214.50/$216.00 at the close from the opening $221/$222, which was unchanged on overnight levels.

Dealers said that the strength of the dollar induced liquidation of long positions and short selling by professional operators.

This resulted in gold slumping to a low of about $213 at one stage in the afternoon in nervous and chaotic trading.

With such sharp movements in the price little actual business was done and spreads of up to $2 were seen at some points.

Dealers said that the speculative pressure appeared to be coming from Europe rather than the United States where some buying interest was noted at the lower levels.

Gold futures opened lower on the New York Commodity Exchange and the International Money Market as selling continued after two days of limit losses. The limit was expanded to $15 from $10.

Dealers cited fresh slippage in spot gold and a firmer overseas dollar for the continued decline.

Prices on the Comex opened $14 to $15 lower and prices on the IMM were off $4.50 to $7.50 dtrs.

Platinum futures opened down the new $15 limit following two consecutive limit down sessions.

Near January traded and was further offered at $315.80.

In Hong Kong, the international gold price closed at $315.80.

Gold opened higher and firmed to an early $320.50/$321.50 on some initial overseas demand coupled with Hong Kong buying against the background of a slightly easier dollar.

The dollar reached its highest level in more than three weeks in Frankfurt yesterday when it was fixed at 1,8880 marks without intervention by the Bundesbank.

The dollar was set at 1,9635 marks on Thursday and yesterday's fixing was the highest rate since October 10.

The dollar continued to firm in London, particularly against the mark in the face of some heavy commercial orders from Germany.

Trading remained nervous and the Swiss franc opened at 1.6130/70 to the dollar against the 1.6075/6100 opening and the guilders at 2.0540/40 against 2.0520/30.
Where does gold go now?

QUESTION: Gold was just below $170 an ounce at the beginning of this year. By the last week of October it had soared to $243.55. Why did it rise so much and so quickly?

ANSWER: The main reason was simply the enormous fall in the value of the dollar against the world's strongest currencies, the Japanese yen, the German mark and the Swiss franc.

Gold is priced in dollars. So long as the dollar was falling sharply against these currencies gold needed to keep going up in dollar terms simply to stand still in real value in terms of yen, marks and others. In fact gold was going up much more than the dollar was falling.

The dollar is seen by hundreds of millions of people throughout the world as a barometer of the stability of the whole Western world. When the dollar is falling there is a tendency among many investors to see that system at risk and to put their faith in gold, the traditional permanent store of value.

There are other factors which have boosted gold. Central banks are now allowed by the International Monetary Fund to buy and sell gold freely at whatever price they like. This was intended to weaken the monetary role of gold. Instead it has perhaps given gold a greater role.

Also, until 1968, gold had been stuck at a fixed price, determined by the world market. The gold price was fixed at $35 an ounce, and most governments were required to keep their dollar reserves in gold. Since the dollar is falling, the gold price has risen, and the gold market is functioning more efficiently.

Gold took a tumble this week — but only after its most spectacular rise in history in the previous nine months. The US dollar, on the other hand, is rallying at long last after the most severe buffeting it has received. What are the implications for South Africa, which depends vitally on gold but which has the rand linked to the dollar for foreign exchange dealings?

H. PREECE, "Mail" Financial Editor, offers some answers to the main questions that affect everyone in SA:

![VALUE OF SOUTH AFRICA'S NET GOLD OUTPUT](chart)

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Does that imply that the hectic gold boom is over?

Not necessarily, although the immediate outlook is obviously for consolidation rather than a new upward rush.

Most countries have wanted the US to do something to stop the dollar slide. Now that President Carter has acted this has been widely welcomed. This must deter some speculative buying of gold and encourage those who bought gold earlier in the year to take some profits now.

But Mr Carter has nowhere near solved the dollar problem. Everything depends on how inflation in the US goes — it has accelerated to annual rate of 9.6% — how oil imports are restrained and how US domestic economic policy overall works.

All this remains to be seen.

Would it be in South Africa's interests for Mr Carter to fail?

Not really, although we have a double option. If Mr Carter fails this must fuel a further gold surge.

But if Mr Carter gets at least partial success this will bring greater stability to the Western financial world and to international trade. Over the long run we stand to gain from those factors as much as anyone else.

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(7) Free Meals
(8) Any other benefits (specify) ...........................................

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Yes/No/Don't know
Gold shares survive Bullion price slump

JOHANNESBURG — Although the gold price slumped $2.60 dollars from 242.60 dollars a week ago, gold shares have not reacted as severely as expected.

"The gold share market has been almost divorced from the bullion market in the past few months," one of the leading gold mining chairmen said. "This has had a cushioning effect and prevented a slump in shares that could have caused much anguish."

The gold share market did not follow the dizzy upward movement of the gold price, so it has had less distance to fall because of the caution displayed when the gold price was rising.

"The best advice one can give to gold share investors is to wait and see which shares show solid jumps — not to be a distress seller or an over-eager buyer."

Three major events must take place before one can expect some stability in the gold share market:

The American futures markets with their huge dealings — long and short — must be resolved in the light of the dollar's behaviour and its effect on gold.

A much slower moving scenario will be that covering the dollar's relationship to other currencies; the US balance of payments, and the US inflation rate — all factors which have direct and indirect effects on the gold price.

The entire financial world will watch the increased sale of 750 000 oz by the US treasury later this month, and the doubling up of that figure at the December auction. A great deal will depend on how that gold is absorbed and what auction prices are obtained.

When these events are behind us, or are moving behind us, investors in the gold share market will be in a better position to judge for buying or selling.

A leading gold share analyst commented: "With a gold price of 185 dollars to 200 dollars or more over the next two dividends, good medium-life mines should give a return of eight per cent to 11 per cent at current share prices."

"Fortunately, the market did not rise for about three months when the gold price broke 200 dollars. Then it shot up to 240 dollars and gold share prices hardly moved. Consequently, the market was not discounting this fancy gold price. Gold shares had reached their peak before this period."

"If gold could settle at 200 dollars to 210 dollars and trade there for a fair time and then edge up again, the present share prices are cheap. However, if the price declines to 190 dollars, share prices must be adversely affected."

A mining house executive and chairman of gold mines said he is much more concerned by the sale of 1 500 000 oz of gold than he is by measures to bolster the dollar. But Ken Marston, mining editor of the Financial Times, takes a different view.

He writes: "The market looks to be capable of absorbing 1 500 000 oz without undue trouble, but how well the price of bullion can be sustained if confidence in the dollar is really restored, remains to be seen."

"There is a possibility of a further setback in the price over the short term, but if this does happen the strength of underlying industrial demand for the metal could bring about a recovery to a level which still provides good profits for the existing mines, in spite of their rising costs. Gold is not out of fashion yet."

Whatever decisions investors take as to selling or buying, an obvious point to remember is that the mines which are increasing uranium production have a buffer which will steady them in times of fluctuations. These include Vaal Reefs, Southvaal, Hartbeesfontein, Blyvoor, Stuiffontein and Buffelsfontein.

— DDC.
Gold and the dollar

Currency movements have made evaluation of the gold price even more complex

If there has been a single, dominant factor on the precious metals markets in 1978, the decline of the dollar against most other major currencies would take pride of place. A year ago, few analysts thought of the gold or platinum price in other than dollar terms. Now it has become common cause that no review of the precious metals markets is complete without its charts to show that though prices are up in terms of dollars they are up by much less, or not at all, in terms of other currencies.

But a number of confusing trends have accompanied the dollar’s dramatic slide:

- The rise of the hard currencies, principally the yen, Swiss franc and D-mark, was so much steeper than anyone had foreseen that in the early days of these developments even experts were confused over how to interpret them. In Zurich last December, Swiss bankers told the FM that the dollar, then equal to SwFr2.15, “might go as low as SwFr1.90” (it was recently SwFr1.50). Further, they argued, because gold is a dollar-denominated asset, its price would tend to fall with the dollar against hard currencies.

- This proved true for a time, but as 1978 wore on, gold began to perform like a hard currency, floating upwards against the dollar and broadly keeping pace with the yen, D-mark and Swiss franc, the market leaders in the currencies boom. In this way, gold reasserted its historic store-of-value role in the face of the dollar’s weakness.

- Gold producers and the entire gold trading and marketing network, through to the retailer, took comfort from the fact that while gold was reaching new highs in dollar terms, it remained reasonably priced in terms of most other currencies.

So the key gold jewellery manufacturing industry, which absorbs three-quarters of all gold coming onto the market (from the SA mines, the USSR, the IMF, and the US Treasury) continued to enjoy buoyant trading through the first half of 1978 — an important difference in comparison to the 1974 gold boom, when jewellery demand dwindled away from its peak of 1063 t absorbed in 1970 to only 229 t in 1974. “Today,” a London bullion trader told the FM, “there is no hole in the floor.”

- But while a favourable price in hard currencies has helped stimulate gold jewellery demand, the same is not true of investment demand. At present, the holder of yen, D-marks, or Swiss francs has no incentive to switch from these scarce currencies into gold. To the outsider observer it might seem encouraging for gold investment that the price has risen so little in terms of the hard currencies. But the other side of the coin is that gold has only level-pegged as an investment except for the dollar assets holder.

- German bankers told the FM recently in Frankfurt that for the first time since Krugerrands were introduced to their market seven years ago returns of coins exceeded new sales. In the past, one banker reported, “generally speaking gold sold to small buyers has disappeared: returns have been no more than 5%-10% of total.” But in D-mark terms, gold has not performed well and there has been a tendency in this key market, which has absorbed over a third of all Krugers ever produced, to sell the coins and reinvest in shares, with the Frankfurt stock market enjoying its first boom for some years.

- However, low investment demand from the hard currency countries weakens one of the props of the gold market and the gold jewellery industry, according to market sources, is “consolidating” at current prices, which means that demand is unexceptional for the time of year, ahead of the peak Christmas season. The paradox has been that despite rather wishy washy demand in Europe, the US market has been extremely strong and demand has also been good in Japan. US gold offtake is at record levels, as seen in August’s buoyant 540,000 Kruger sales, even though the price is at all-time dollar highs. So US demand has taken on some of the characteristics of a share market boom, with rising feeding on rises until the music stops.

- To some extent, gold demand in the US has ceased to have any investment rationale, but after a flight out of the dollar inflation or, in the gold bug’s view, eventual drain of the dollar.
currency.

The big issue for the gold and currency markets over 1978-79 is when (the gold bugs say whether) the dollar will recover. Its ability to do so will depend upon action by the Carter administration on three fronts: the trade deficit, inflation, and the budget deficit. All are arguably out of control at present and for pro-dollar sentiment to gain ground a measure of control needs to be reasserted.

It will be some years, if ever, before the inflation rate and the deficits are reduced to historically normal levels. Making a fundamental change in the US economy is like trying to do a U-turn at the helm of a supertanker. The Bonn heads of state summit in July, however, attempted to chart the course.

At the heart of the US dilemma is its oil imports. These are running at an annual rate of $45 billion, or $120m per day, with the supertankers of the “seven sisters” discharging 8.5m barrels of oil each day at US terminals. In a day and a half, the US imports as much oil as SA consumes in a whole year.

Small wonder, then, that the Bonn communiqué recorded that “recognising its particular responsibility in the energy field, the US will reduce its dependence on imported oil,” which accounts for 45% of its total consumption. Carter committed the US to “a comprehensive policy framework” that will result in oil import savings of 2.5m barrels per day by 1985 — again, a measure of how long it takes to turn the supertanker round.

At current prices, savings of this order would reduce the US oil import bill from $45 billion to about $32 billion. This is the only way to reduce the US trade deficit of $26.5 billion last year, likely to be exceeded in 1978, though it is a much higher proportion of the current account deficit (1977: $17.5 billion). The important point, however, is that if these savings began to be achieved even within the seven-year timescale envisaged, they would prop up the dollar considerably in the currency markets.

Dealers questioned in Europe recently were convinced that passage of an Energy Bill in the US containing these and related provisions would knock at least 5%-10% off the gold price. If passage of the bill were followed up with action specifically aimed at supporting the dollar, the effect on gold could be to depress it to the $170-$180 level, over a period of a few months.

But bullion market sources do not believe that an Energy Bill would be a decisive long-term blow at gold. Apart from the commitment to cut imports at Bonn, Carter also pledged “that the prices paid for oil in the US shall be raised to the world level by the end of 1980.” At present there is a complicated domestic system, but nearly half the oil produced within the US is priced at only $3.70 per barrel, about 40% of the world price and the average US domestic price.

The effect of the pledge, unless the economy is allowed to cool down over the next 15 months, is likely to stoke the fires of inflation in the US and for this reason the gold market believes that any setback in the gold price caused by passage of the Energy Bill and the prospect of a reduced trade deficit would be short lived.

Two other important factors face the markets in 1979, one positive, the other probably negative.
The IMF strategy, initiated during 1975, has been to release 50m of its 150m oz gold holding over the four years from June 1976-June 1980. Of the 50m, 25m is being auctioned and 25m “restituted” to IMF members pro rata to their quotas in the Fund.

The original schedule called for six-weekly auctions of 780,000 oz, but in January 1977, following representations from the bullion market, the rate was cut back to 525,000 oz monthly. In June 1978, the amount was reduced further to 470,000 oz and the difference of 55,000 oz was reserved for the poorest nations—the less developed countries, or LDCs.

The LDCs already benefit from the trust fund the IMF has set up to distribute the proceeds of its auctions. The reservation of 55,000 oz per auction for the LDCs is a refinement of the auction process. Instead of receiving dollar handouts, the LDCs can take their pro rata proceeds in gold.

Why 55,000 oz per auction? Earlier this year, the Fund asked LDC members whether they wanted dollars or gold and the declared intentions of those who wanted gold amounted to 1.32m oz out of a total LDC gold quota in the Fund of about 5m oz. Over the remaining 24-month period of the auctions, this worked back to 55,000 oz per month. But other members could change their mind and opt for gold and London bullion market sources think that the 55,000 oz reserved so far will prove inadequate.

In this case the IMF will either have to reduce its monthly offerings still further from the present 470,000 oz or terminate its programme before the June 1980 target date. Indications from the Fund are that it will continue at 470,000 oz per month up to June 1979 but will then cut back to 330,000 oz for the final 12 months.

By mid-1979, the markets will be playing another intriguing guessing game over the Fund’s intentions once the four-year programme is up. Will it con-
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continue with further sales and restitutions, or will it hang onto its remaining 100m oz of gold? There is no saying yet, but it is interesting to note that by June 1980 the proposed European Monetary Fund, consisting of the EEC countries, will be in operation and will be able to veto IMF proposals, provided it can agree on policy. At present, only the US has enough votes in the Fund to effect a veto.

The outlook from the IMF, therefore, is that its gold made available to the market will decline. What of the US Treasury? In April, it announced a series of six auctions, to be managed by the accident-prone GSA (General Services Administration) at 300,000 oz per month. This was stepped up to 750,000 oz per month from November through to February 1978 inclusive.

The effect on the market was limited. The April announcement caused a brief setback, but did not prevent the movement from $165 up to the August peak of $216. The August announcement, stepping up the sales, knocked the price below $200 for the first time since July 27, but only for one fix, and the price has since recovered to new record dollar highs.

Before February 1978, the US Treasury hopes the gold price will have cooled down, probably pinning its hopes to the Energy Bill and a recovery in the dollar. But if these hopes do not materialise, an awkward decision will be needed.

If the Treasury withdraws from the market or reduces its offerings while gold is still buoyant, the price will leap ahead. If it continues its sales programme or steps it up, its 270m oz gold hoard in Fort Knox ceases to be the “ultimate deterrent,” the Cruise missile of the monetary game, but becomes a fast-depleting asset. Even at 750,000 oz offered per month, it is running down at 9m oz per year.

One test the Treasury may apply to its sales decisions, and a ratio watched by bankers and bullion dealers, is the level of US foreign debts relative to the value of its gold reserves. At 270m oz, worth, say, $215 per oz, the Fort Knox hoard is worth $58 billion.

If US debt is below this figure, the Treasury theoretically gains by selling gold for dollars. But in the last US Treasury Bulletin, US foreign debt was $60 billion net so a gold price of $217 per oz was required to liquidate it in toto. In practice, the Treasury would only be wise to sell gold for dollars if US debt were stable, or falling, and overall it seems that the Treasury applies other tests before determining its gold sales policy. In particular, it tries to gauge periods of weakness in the gold market to achieve maximum impact.

At the margin — always the key area in any commodity or currency market — US Treasury sales will have impact during weak periods for bullion. But provided jewellery and coin demand is maintained, the Treasury supplies will gradually be built into the gold market’s expectations, especially if IMF sales decline or cease entirely.

The gold price outlook for 1979 continues to favour a decline in the early part of the year, probably coinciding with a dollar recovery, but the average price should show some increase from the 1978 level around $190 per oz to date.
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But even if the US reduces its trade deficit, inflation may prove to have taken too deep a hold to be rooted out in a hurry and 1979 could see historically high rates of inflation continuing. In this event demand for gold in the US could rise dramatically.

This in turn would do more than any other development so far to panic foreign holders of dollars. Up to now, their tolerance of US monetary permissiveness has been made possible by its general acceptability within the US itself. But if the US people flee from their own currency, it will strike fear into the hearts of foreign dollar holders on a scale not seen before, and gold will reach unprecedented heights.

From gold to pure gold

The Rand Refinery at Germiston treats all SA’s mined bullion to achieve near perfect purity

Every day 400 000 people in SA are involved one way or another in milling 300 000 t of reef to produce all of about 3 t of gold per day. Still, that daily production is worth about $21.5m at a price of $200 an oz.

All the gold bars from SA’s 40 odd gold mines are refined at a central plant at Germiston. This is because gold bars ex-mine are only about 88% pure, containing 10% silver and 2% base metals.

and this level of purity doesn’t meet either industrial (primarily jewellery) or monetary asset requirements.

The Rand Refinery is operated by the Chamber of Mines and the shares in it are held by the mines themselves — in proportion to each’s contribution measured over the previous year. It neither buys nor sells gold, simply acting as a refining medium between mine and Reserve Bank which, through the Chamber, credits the mines direct.

Gold bars from the Central Witwatersrand mines are brought to the refinery in special security vans, while mines on the Far West Wits line and in the Klerksdorp area send in their bullion by rail, and the OFS mines by air.
The colour tones in gold — white, yellow, red and green — are achieved by alloying nickel, palladium, copper, silver, and other metals.

The carat measurement represents the amount of gold in the final product of 24 parts — 22 carat means 22 parts out of 24, the remainder being hardening alloys. Normal caratages used in SA are 22, 18, 14, 10 and nine.

Rolled gold is made by bonding a sheet of gold onto an alloy base, and then pressure-rolling it until it becomes thin enough for gold pens and pencils — one of its most popular uses. Rolled gold is also made into wire for jewelry purposes.

Gold jewellery is frequently made by means of what is known as investment casting. The original master is coated with rubber which is opened once it has set. The master is then removed and the cavity filled with wax. The rubber is stripped off and the wax replica of the original is placed in plaster which is heat stable. The wax is burned out and the cavity filled with molten gold, which is then "thrown" by centrifugal force to ensure that the gold reaches every corner of the mould.

A similar process is used by dental mechanics when using gold.

When the bars arrive at the Rand Refinery, each carries a stamp indicating mine of origin — WH for Western Holdings, FSG for Free State Geduld and so on. They are then melted down in "deposits" of not more than four bars (obviously, at this stage, bars from different mines are kept separate), re-poured in smaller and more manageable ingots of about 12.5 kg, and assayed. Once the assay has been taken, there is a book entry of the amount and purity of the gold for accounting purposes, and all gold can now be put in a common pool for refining.

The refining process involves smelting down the gold yet again and passing chlorine through it. The chlorine reacts with the silver and other metals to form silver chloride and other chlorides. These float to the top of the gold, where they can be skimmed off for further treatment.

The gold is then re-cast in 12.5 kg bars (the standard size adopted by the Bank of England) and some of these — those destined for monetary asset purposes — are polished under a gas flame. Purity of these ingots is 99.5%, but even this is not sufficiently pure for industrial users or for use in Krugerrands.

So some bars are now dissolved in acid and the gold then extracted electrolytically to obtain a purity of 99.9%. Much of this metal is now turned into an alloy containing 91.66% gold (22 carat) and 8.33% copper for stamping out Krugerrand blanks for the Mint. At the moment, no less than 150 000 of these are being churned out each week.

The Mint picked this particular alloy because of the slightly reddish tinge it gives to the Krugerrand. Of course it does mean that a Krugerrand coin actually weighs a little over 1 oz in order to meet the "1 oz fine gold" inscription on the face of the coin.

Interestingly, on the question of gold colour, it is noteworthy that women's taste in gold varies widely from country to country. Thus Danish women, for example, prefer lemon golds (an effect largely engendered by mixing silver in the

Stamping out blanks for Krugerrand minting
In addition to gold, the refinery is also involved in the production of silver — more as a by-product than anything else. The silver is obtained electrolytically and three 37 kg (1100 oz) bars of 99.9% purity are cast each day. Each of these is now worth around R4 000.

Some silver is sold to the Mint — though the Mint no longer strikes silver coins — and is later disposed of to the jewellery trade, while the balance is sold by the Chamber direct on the London Metal Exchange (LME). Some silver is actually used in the explosives business for making detonators. About 70 t/a is turned out by the Rand Refinery.

The refinery represents a remarkable co-operative exercise between the mines on the one hand, and the Chamber, Reserve Bank, and Mint on the other. It employs about 170 whites and 235 blacks and was originally built in 1921. Prior to that, SA gold was shipped by mailship to London for further refining.

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**Krugerrand's rivals**

*Now Canada is considering minting a gold coin. Russia already has its Chervonetz*

**With Krugerrand** sales headed for the 5m mark this year, just ahead of the 4.8m record set in 1975, world demand for gold coins has never been stronger. And with the Krugerrands likely to earn about R25m in premiums over and above their intrinsic gold value, it is not surprising that some of the smaller gold producers are looking at the possibility of minting gold coins to cash in on present demand, inspired by distrust of paper currencies.

In 1977, Krugerrands accounted for 65% of all gold used for official coins, but 3,6m Krugers were sold last year and in the current year they could reach as much as 80% of gold used for coinage worldwide. With the US market absorbing probably over half the 1978 Krugerrand output, the Canadian government has put a bill before Parliament to enable the Canadian mint to produce 1 oz coin similar to the Krugerrand, probably absorbing about 2.5m oz per year.

As the Canadian gold mining industry produced 1.7m oz in 1977, target output of the proposed coin suggests either that gold will have to be bought in from other producers, or that the government plans to run down the Bank of Canada’s gold holdings, currently about 22m oz. The latter seems the more likely, as to compete with the Krugerrand, the Canadian
coin would have to bear an equally low premium and it would be too risky an operation to buy in gold via the market for resale at a premium of say 3%.

Competition from the USSR, the world's second largest gold producer after SA, with estimated output of 440 t in 1977 against SA's 700 t, remains a possibility. The USSR is already established in the market via the Chervonetz, a quarter-oz coin which has been in production since 1975. Dresdner Bank is the sole European agent, with J Aron the US agents.

In theory, the Chervonetz could be a viable rival to the Krugerrand, but in practice the Russians do not seem to have decided whether to market it as a low premium bullion coin or as a numismatic item. The 1975 issue, for example, consisted of 250,000 coins of which 40% were offered in the US, the same in Europe through Dresdner and the balance retained in the USSR. But the next year, Im were minted, which reduced the numismatic value considerably.

Premiums on the Chervonetz vary according to the year of minting and to the mint — there is one in Moscow, one in Leningrad, each with different marks.

On the 1975 issue, the smallest to date, the premium is 35%-40% over the gold content, so that the Chervonetz of this year costs about $77 (with the gold price at $225 per oz) and is not a particularly attractive way of buying gold. The larger issues carry a premium of 15%-20%, though this is still way ahead of the Krugerrand.

As the dollar gold price rises, the scope for a smaller, lower priced rival to undercut the Krugerrand obviously increases. The Chamber of Mines has certainly given thought to a quarter- or half-Krugerrand, but the overriding objection has always been that such a coin would blur the Krugerrand's powerful market image. But Intergold's Don Mackay-Coghill has said in the past that with gold at $250 or $300, a smaller coin might bear re-examination.

Meanwhile, if you would like a pair of cufflinks showing what looks like a rampant Soviet postman against a background of belching factory chimneys and an old wheelbarrow, you could do worse than buy a pair of Chervonetz — if you can afford the premium.

Russia's Chervonetz gold coin . . . it's the premium that pushes the price
Has the gold boom burst? Are we headed for a repetition of what happened in 1974, when from a February peak of $184 (with goldbugs talking of $250 or $300 being just around the corner) the free market price slipped to under $130 in early July, recovered to about $190 late that year, and then drifted right back to below $110 in July 1976?

Well, nothing is certain in commodity markets — and even if it is unlike any other commodity, gold still is a commodity. But the odds must be strongly against a reaction of this magnitude.

The point is that, in terms of currencies other than the dollar, gold is far from expensive. There are two major implications of the charts that accompany this article.

The first is that the fluctuations of the dollar price of gold reflect almost exactly the misfortunes of the greenback on world currency markets. The second, not unconnected, is that the price of gold in strong currencies (especially the D-mark and Swiss Franc, the currencies in which the bulk of industrial buying of gold is financed) has been remarkably stable in recent years.

(The Chamber of Mines, incidentally, asserts that until the middle of this year the reverse correlation between the gold price and the Dow Jones index was even closer than that between the gold price and the dollar. But to the extent that both the Dow and the external value of the dollar reflect assessments of the US economy, this does not affect the principle.)

So-called industrial demand (most of which is actually for jewellery) has by now increased to a point that virtually matches Western world output and Russian sales. Moreover, Russian sales appear to have stabilised at about 350 tons a year, irrespective of Russian balance of payments problems, and with Russian grain prospects apparently favourable, there is little risk that forced Russian selling will materially affect the supply-demand equation.

This year's dollar gold price surge, which got under way in May, thus reflects growing doubts about the US economy, and the inadequacy of the Carter administration's counter-inflationary measures. The slump in the past few weeks in tum reflects no more than initial positive reaction to the latest Carter package.

It would have been disastrous to the US had there not been a sharp recovery in the exchange value of the dollar, and hence a contrary decline in the dollar gold price. But by this week the gold price had already shown signs of picking up off the bottom. Is this just a technical correction? Or will the inherent state of the US economy (its trade deficit in particular) reassert itself, ensuring that many foreigners will continue to prefer holding gold to the dollar?

This is a far more important question than the potential impact of stepped-up US Treasury gold sales. If — and it is a big if — the US should continue sales at the December level of 1.5m oz throughout 1979, this would put a new supply on the market almost as big as SA's production (21m oz) and would increase free world supplies next year by as much as 40%.

At an average price of (say) $200, this would be "worth" $4 billion. Far from chickenfeed: but equally, far from this year's likely US balance of trade deficit of up to $30-billion, or overall current account deficit of $20-billion.

Even if the current account falls, as has been estimated, to $10-billion in 1979, massive US deficits of recent years have led to many non-US central banks holding enormous dollar balances. One estimate is that the Arab oil producers alone have $63 billion on call with US banks. If the Arabs doubt the validity of
Gold slumps on US sale fears

In London, the dollar hit its highest level since late September. After climbing to a high of 193.40 yen at one point, it closed at 191.55 — up from 190.40 on Wednesday.

Dealers and dollar buyers by importers and foreign banks pushed it up, but it dropped later on selling by exporters, prompted by several banks from oil-producing countries buying dollars for dollars.

Dealers continued to predict stability for the dollar in the short term. In recent years, a stronger dollar, they said, had been accompanied by central bank intervention to keep the dollar's exchange rate up.

After the foreign exchange market closed, the Ministry of Finance announced that Japan's current account surplus in September was 46.3 billion yen, down from 48.7 billion yen in December. But dealers, who did not expect this to help the dollar much, were surprised by the lower surplus.

The dollar remained strong against most major currencies, particularly the Swiss franc and the yen.

At the start of the week, the dollar was at 191.25. It had opened at 193.25 and fluctuated in a range of 191.25 to 193.25. The currency was 191.25 yen when the market closed.

For the day, the dollar was up 0.65 yen. The yen was the strongest of the day, up 0.05 yen. The Swiss franc was up 0.05 yen. The Canadian dollar was up 0.05 yen. The Australian dollar was down 0.05 yen.

The movements were reflected in foreign exchange trading in London yesterday morning, with the dollar trading at 191.25 yen, up 0.05 yen from the previous day. The yen was down 0.05 yen. The Swiss franc was up 0.05 yen. The Canadian dollar was up 0.05 yen. The Australian dollar was down 0.05 yen.

Dealers were watching closely for any signs of a trend in the dollar's exchange rate, with the possibility of future foreign exchange intervention.
the estate was beautifully illuminated. However, since then we have been disappointed that the situation has gradually deteriorated in some areas.

The contractors gave us an excellent guarantee of their work for one year, including replacement of the glass which failed during that time. Unfortunately we are having no success in getting him to honour this obligation. Sadly this means that parts of the estate are again very poorly lit. The glass is extremely expensive, and our budget does not allow us to replace the glass (which should last up to 2 years) every few weeks. We are doing our best against the contractor, but it is proving very difficult. We are also looking into the possibilities of getting a maintenance contract for the lights from another contractor.

8. ADDITIONAL PROPERTY—OUTLINE OF THE HOUSES

This seems to be progressing very satisfactorily, weather permitting. It is expected to be completed within 3-4 months. A number of the houses are now under construction, and it will be good to have them occupied by Christmas. The painting of the red chimneys is in progress, and the current contract will be completed as soon as the materials are available. In the meantime, it is hoped to provide temporary shelters of white plastic from the chimneys and residents are asked to use this situation.

9. FIRE AND FIRE HOSES

Should the need arise, our nearest Fire Station is the wartime Fire Station, Wotton Road. The nearest Fire Station is Tel. 704633.

10. ARE YOU INTERESTED IN READING?

If so, kindly contact the local library for further information.

11. GOLF COURSE

Sports Club—(Membership necessary)—Constantia Sports Complex (near Alphen)—Tennis, Squash etc.

12. LIMASSOL.

Anyone who has any ideas about the improvement of the estate (must be cheap), the solution of the problems we have discussed in this new letter, or the provision of good neighbours, is asked, if possible, to contact the Directors with his ideas.

If you have managed to get through all this, you have definitely got staying power. Very many thanks for your attention.
Gold shares far behind the gold price

By DON ROBERTSON

RANDFONTEIN and Afrikaer Lease are the only two gold shares that have improved on the share price levels attained in the gold boom days of 1974. The rest, without exception, have taken a considerable hammering — much of it in the past two months.

In December 1974, the gold price soared to $135.25 ahead of the relaxation of American gold ownership regulations, taking gold share prices substantially higher. The RDM gold index, however, had topped on August 10, 1974, at 469.9 — the base for the table above.

At the top of the gold index in 1974 the gold price was $135.30 compared with its current $175.75. On October 30 this year, the gold price reached a high of $242.75, but in spite of this rise, gold share prices have never seen the levels reached in 1974 and on fundamentals, it seems unlikely that they will reach these peaks for a long time.

There appears to be no distinct pattern to the decline in share prices, although the marginals, which are the high fliers during a rising gold price, have conversely lost the largest amounts.

Top of the list is Saffies, which has plunged in the four years by over 85%. In contrast, the best performers are the high-grade, long-life mines or those that had or have developed uranium reserves. In this category are Vaal Reefs, West Dries and East Dries, the latter being the best of the bunch with a price decline of only 14% over the period.

On the plus side is Randfontein which is a rejuvenated mine with the added bonus of uranium potential. Afrikaer Lease was a special situation which attracted investor speculation on its uranium potential. In the past few months, however, it has taken quite a knock along with the rest.

In the four years since 1974, cost increases have been a particularly worrying factor, rising by as much as 23% in 1977. However, the improvement in the gold price since 1974 has more than compensated for this with the average price so far this year at $195.01.

Ironically, dividend payments since 1974 have risen sharply, which suggests that at current price levels, golds are cheap. But for those who bought in the 1974 boom and are still holders, the chances of recouping the capital loss appear bleak.
Market can take US gold sales

By NEIL BEHRMANN

LONDON. — In spite of the 36% decline in the gold price since the beginning of the month, bullion dealers are confident that United States Treasury sales will be absorbed with little difficulty.

A London dealer said he would be happy if the price settled within the $110 to $135 band. Most weak holders had been shaken out of the market and with some short positions in New York, the market could rally.

Gold has remained relatively steady over the past few days in spite of the dollar's fragile strength. Foreign exchange dealers expect the dollar to continue to strengthen over the next few months.

In spite of the movement of funds into the dollar, the gold price has been relatively firm. This has occurred even though there has been a seasonal weakness in industrial demand.

A major reason for the firm price in the absence of any marked selling by the Soviet Union is that Krugerrand sales are running at high levels, and this reduces the direct supply of gold from South Africa.

Bullion dealers say there could be weakness in the market in December when the US auctions of 1,900,000 ounces begin. But they are much less concerned than previously because they suspect that the American authorities will reduce sales if the dollar strengthens next year.

A US Treasury spokesman told me that if the dollar did strengthen, the American authorities would lower the sales or even stop selling gold.

The International Monetary Fund will sell 670,000 ounces until the end of May. Third World nations can complete their purchases of 3,700,000 ounces by May.

According to brokers Strauss Turnbull if all the 3,700,000 ounces are taken by these nations, the IMF will have disposed of 21,990,000 ounces, leaving 3,110,000 ounces to be sold by June 1969.

This means a reduction in the amount of gold on offer at the remaining 12 auctions to 259,000 ounces a month.
The African exodus from gold is not limited to South Africa. In 1973, there were 47 African workers, mostly from African countries, who worked in the gold mines of South Africa. They formed the basis of the industrial dispute, which was still in force, the determination had been in effect since 1971.

A further 115 strikes occurred and these involved 2,474 African workers, all of whom worked in the mines. The strikes were not against the gold mining companies, but against the determination that was in effect since 1971.

It would not be unfair to assume that the actions of the miners were influenced by the fact that the gold price was still high. However, the miners were not the only ones who were受到影响. The determination had been in effect since 1971. The impact of this determination on the mine owners was severe. They were forced to reduce their workforce and to invest in new technologies to improve productivity. This led to a reduction in the gold price, which was still high in 1973.

In 1973, the gold price was still high. The determination had been in effect since 1971. The impact of this determination on the mine owners was severe. They were forced to reduce their workforce and to invest in new technologies to improve productivity. This led to a reduction in the gold price, which was still high in 1973.

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White House order to boost the volume of its monthly gold auctions to 1,5m oz. This is five times the amount the Treasury had been selling since sales resumed in mid summer, although the Americans had previously scheduled a rise to 750,000 oz for the sale that was held last Tuesday.

When Carter made his dramatic bid three weeks ago to restore world confidence in the battered American currency, Treasury gold policy advised blithely explained the higher November auction would test market absorption capabilities so that the December sales would really represent "only" a doubling of the input to world markets.

What they were counting on is the fact that all the International Monetary Fund monthly auctions and the more recent US sales have drawn bids of at least twice, and often four and five times the amount offered. But this week the American offering of 750,000 oz drew bids of only 921,000 oz from 15 institutions.

This was enough to take the offering, to be sure, but at a cost to the Treasury on a number of points. First, Tuesday's London fix put the gold price at more than $201/oz. While some Treasury sale participants did pay more than $201 (the highest price was $201.30) the average bid was $199.09 and many paid as low as the cutoff price of $197.

More ominous to the Americans was the thin demand for their offering. Uppermost in the Treasury's mind is the memory of the first two sales the Ford administration held in early 1975, when Americans were again allowed to own gold after a nearly 40-year ban. Subsequent sales were quickly dropped when the more than 2m oz offered drew too few bidders.

IMF officials remain adamant that they will not reduce their own sales below the current 470,000 oz level. And next month the Treasury is under White House orders to push its own offerings to 1.5m oz, making nearly 2m oz a month that will be fed into the world market.

This leaves the Treasury in a damned-if-you-do, damned-if-you-don't position. For gold demand is likely to remain soft as long as the dollar rescue operation remains credible. One way to taint the dollar's rescue is for part of it - the gold sales operation, for example - to come unstuck. And that of course would be good for the price of gold.

23. Ibid.


Gold auction disappoints

Gold bugs had been expecting bids well in excess of Tuesday's US Treasury gold auction. Their view was that this would put an end to bullish weakness and allow an improvement through December when the US has 1.5m oz on offer.

In fact only 911,600 oz were bid for at an average price of $119.05 for the 750,000 oz on offer.

The small oversubscription and the fact that the average price at the auction was below the Tuesday's $200.20 afternoon fix disappointed some local brokers and the world bullish markets. The gold price fell to $199 on Wednesday afternoon.

The next US gold auction of 1.5m oz comes at a low demand time and is leading to predictions of bullion below $190 by Christmas. But bulls claim that even though Thursday's auction was not heavily oversubscribed, as it was the case in previous IMF auctions, the identity of the bidders was bullish for the metal.

Banks buying

Bidding was led by the Swiss Bank Corporation which applied for 259,000 oz at prices ranging between $190 and $200.13. Declares one Johannesberg chartist: "Why would the banks be buying gold if they expected the prices to collapse? We are still bullish for the metal and our charts indicate gold shares in an oversold position."

Most fundamental analysts agree, but anticipate the prospect of weakness in gold and the shares until the new year, particularly in view of the December US gold auction.

Near-term outlook for golds depends largely on the dollar. So far it has held up on the back of US Federal Reserve measures and the gold auction, hitting a four month high of yen 196,60 on Monday. But some say the dollar's recovery has been a case of "too far, too fast," so a reaction is due. If this materialises gold could move sharply through $200, but whether it would bring buying back to Hollard Street is uncertain.

Gold shares now stand nearly 20% lower than the August highs but buying is weak. Foreign buying is not helping prices and trade is quiet. US interest is "non-existent," says one broker. This week he noted small offers out of London and the US, but nobody was interested.

The small parcels took the securities rand down to 67c US after remaining unquoted at 68.5c US for two weeks.

Early in the week isolated buying by foreigners looking for jobbing profits included Kinross and Grootvlei. But selling overshadowed buying, and even these ended lower on the week.

Institutions continued to pick up mining financials at lower levels. Prices, in line with producers, ended lower.

Platinum followed the trend in precious metals but surprisingly only Rustenburg was well supported. Implats and Lydenburg firmly marked slightly, possibly helped by a Rusplat statement that US auto industry demand should increase in 1979. Rustenburg said in view of the forecast it "will maintain its normal 14m in the current financial year." Capex needs may have been the reason Rustenburg did not follow the other two shares higher. All other metals dipped but a feature was ZCI which lost 6c to 21c in the wake of the Zambian situation.

Like golds, industrials were a very dull market. The RDM 100 index sagged from 266.9 to 258.9 on Monday but picked up some steam on Tuesday to 260.3 as the effect of renewed overseas buying on the gold market rubbed off onto industrials. But the effect was temporary and industrials slipped back again on Wednesday.

The list of new highs is now down to a mere three or four, after the heady days, only weeks ago, when thirty or forty appeared each day, so it would seem that Rob Conway's short-term prediction at the FM investment conference of 250 for the RDM 100 may be met fairly soon.

Kimet, only the second new issue this year, does not look as if it will help give the industrial market a boost. The issue was more than 30 times oversubscribed, and expectations were that it would open

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RDM 100 | Current | Week ago | Month ago | Year ago
--- | --- | --- | --- | ---
260.3 | 267.7 | 272.1 | 197.7
P/E ratio | 4.8 | 4.9 | 4.9 | 3.9
Div yield | 8.0 | 7.9 | 7.8 | 11.0
UK FT Ind | 474.0 | 487.5 | 496.5 | 471.8
P/E ratio | 8.1 | 8.3 | 8.7 | 8.4
Div yield | 6.1 | 5.5 | 5.5 | 5.5
US Dow Jones | 804.1 | 785.3 | 832.6 | 842.5
Standard & Poor Index | 206.5 | 210.4 | 220.6 | 150.8
Krugerrand (Rand) | 199.0 | 210.8 | 226.1 | 156.4
Public selling price | 5.6 | 12.0 | 27.2

*Signposts

Public buying price is 10% below, subject to negotiation.
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It's still a testing time for gold.
Gold up as dollar plunges

LONDON. — Gold rose to $199.25 an ounce at the afternoon fix from $197.70 at the morning fix in fairly thin business, influenced by weakness in the dollar on foreign-exchange markets and some good buying interest from Switzerland around mid-day.

In post-fix trading, the price rose marginally to $199.10/199.50, and dealers expected the price to remain broadly steady until the close.

In Zurich, the price had risen to $199.00/75 at the close, marking a further $1.50 gain on the opening and an advance of $4.50 on Friday’s close.

The markup reflected short-covering and buying by professional operators in the wake of the dollar’s fall.

Sentiment in the market is relatively favourable to gold at present and this means that Wednesday’s IMF auction should be well-absorbed.

The average London gold price so far this year is $195.34.

The dollar rose to its highest level since mid-July on the Tokyo foreign exchange market yesterday, but then dropped sharply in the afternoon, to close at 159.55 yen.

It opened at 202.00 yen, compared with Friday’s closing 201.25, and climbed to 203.40 during the early session. Then the Bank of Japan intervened, selling dollars for the second trading day in a row, and was joined by Japanese commercial banks.

Trading was described as chaotic.

The central bank reportedly sold $90 million to $90 million. It sold $70 million on Friday when the dollar jumped three yen.

One dealer said the sharp drop in the afternoon was due to profit-taking, as people who had been buying dollars decided to sell them while the price was high.

The dollar had been climbing since November 1, when the United States president, Mr. Jimmy Carter, announced his dollar defence measures.

In Hong Kong’s international gold market, the gold price closed firmer at HK$130.70 an ounce, compared with Saturday’s HK$127.50 close and Friday’s New York close of HK$127.00/50.

An easier dollar in late trading on Far Eastern foreign exchange markets contributed to the bullish sentiment of the gold market, dealers said.

In the local market, gold closed firmer at HK$130.70 an ounce, compared with Saturday’s HK$127.50 close.

The Krugerrand fell HK$2 to HK$890, equivalent to $35.3.

In London, the dollar opened below Friday’s closing levels following the late burst of selling in the Far East which brought it sharply lower than earlier levels there.

Trading was quiet but nervously, with no new factors to cause the dollar’s decline, but the movement against the yen led the dollar’s early trend.

Reports from Tokyo that the Bank of Japan had intervened to sell dollars apparently helped to turn sentiment temporarily against the dollar, dealers said.

The dollar was mixed against European currencies after a morning of quiet, nervous trading. It weakened against the mark and the yen although it strengthened against sterling, the French franc and the lira, dealers said.

The Brussels summit on the European Monetary System was the chief factor in the morning’s trading, with operators moving out of sterling and the French franc and into the mark, Swiss franc and yen.

The dollar stood at 1.9190/95 marks against its 1.9232/37 opening, at 1.7290/93 Swiss francs compared with its 1.7240/45 opening, and at 197.50/198.10 yen against its 198.50/70 opening.

Dealers attributed its continued fall against these currencies from Tokyo and Hong Kong markets to profit-taking following its "unnaturally high" levels towards the end of last week.

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Gold and dollar weaken

LONDON. — The gold price has fallen by close to 7%.

The dollar weakened yesterday. Gold was fixed at $196.40 in London in the afternoon in fairly quiet trading. The morning fixing was at $196.65 and Monday's second fixing was $195.95.

Dealers said gold was trendless and did not reflect yesterday's dollar movements. No new factors influenced trading.

Today's International Monetary Fund auction of 470,000 ounces had little effect on the market.

Gold futures opened lower on the New York Comex and the International Monetary Market. Dealers noted some evening up ahead of the IMF auction and scattered selling continued from Monday night.

Prices on the Comex opened 60c to $1.30 lower and prices on the IMF were off 40c to $1.20.

In Hong Kong, the international gold price closed little changed at $197.20/197.70.

Trading was unusually calm ahead of the auction, with activity restricted to position squaring and some new selling.

In Tokyo, the dollar continued to fall against the yen, closing at 190.80 yen, a drop of almost three yen from Monday.

The closing rate on Monday was 199.65 yen, more than 1.50 off from Friday's close of 201.25 which was the first time the dollar had hit 200 yen in 19 weeks.
Gold faces its real test at US auction

HONG KONG.—The average price of $136.96 an ounce realised at the International Monetary Fund’s gold auction was in line with market expectations, but the large amount bid for is seen as a positive factor for the international price at least in the short term, say bullion dealers.

They say total bids of almost 1,970,000 ounces for the 470,000 ounces on offer show there is still considerable interest in and demand for gold.

The relatively featureless trading in gold in Hong Kong of the past week gave way yesterday to hectic and nervous market conditions here.

1. Dealers say positive interpretations of the auction’s result prevailed and pushed the international price to $136.50/$136.70 at mid-session, which was up on New York’s $137.60/$136.30 close, which itself was $1.60 higher than the previous day’s close.

2. Good two-way interest was noted in Hong Kong at early levels, with some European

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6. Motion: The Western Classical Association the subscription remitted member should be increased

7. Election of office bearers

8. Any other business?

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Michaelis School of Fine Art, U.C.T. of JERUSALEM (illustrated by slides)

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(Visé: Miss P. le Roux)

Schools’ Secretary: Miss B. Keeson

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J. Sang.

Department of Classics, U.C.T.

Phone: 698531 Extn. 213.
Further gains on the gold board

by Anne Colley

Once again Diagonal Street can quietly thank Opec for its weekend announcement — because the planned oil price rise is responsible for the surge in the bullion price and resultant rise in gold shares. Gold reached 217.50 dollars in London this morning and not even tonight's 1.50 since US auction could dampen the ardour of the bullion markets. Opec and the dollar's fall have overshadowed that.

In Johannesburg the response among the shares was healthy if a little muted (dealers are watching for any cracks or weaknesses in the gold market) and for the second consecutive day the all gold index put on a significant amount — this time a 4.5 point gain.

Freguls and Wes Drie both managed 100c rises, Vaal Reefs added 5c and Randfontein came up 50c. The rest of the changes were in the 10c to 25c region.

Trading during the first few hours of the day was active and London showed some buying interest later on. But brokers warn that as prices rise, sellers may "run away and volumes could dry up." De Beers initially touched 810c before settling down at 800c — 6c up on yesterday's close. Collieries, platinumns and asbestos counters put on a few

The second part of drought management is that government must have productive works designed and ready to be implemented once there is a need for work to be created in the countryside. The Indian experience has shown time and again that governments are loathe to commit the finance necessary to allow for sufficient preparation of works. Moreover, whenever funds have been provided for the purpose of advance preparation, the technical departments receiving the funds have often used them for the preparation of works which they consider to be of importance rather than for the wide distribution of small works suited to drought relief.
3.4.6 The effect of labour shortages (as reported statistics of employment needs)

3.5 Coal-mining employment has been growing after reversing a declining trend associated with productivity growth. We need to make a better before projecting it into the future.

made in this study about future levels are specified in Section 2.2.2 on p.61.

Gold rockets after oil shock

BY NEIL BEHRMANN

LONDON. — Gold soared $7.30 in London yesterday to $212.90 — the highest level since November 9.

The main reason was the shock waves from foreign exchange and commodity markets caused by the Open announcement of 15% rises in oil prices next year.

Gold was fixed at $212.20 in London yesterday morning compared with Friday’s second fixing level of $205.60.

The price rose further 70c in the afternoon.

Platinum was also firmer. It was priced at $345 in the morning, 15% up on the producer price of $305.

The Organisation of Petroleum Exporting Countries (Opec) has decided to raise crude oil prices by 14.5% in four phases next year.

The Automobile Association of South Africa estimated yesterday the oil price hike would cost South Africa about R190 million next year.

Mr. Chris Hennia, the Minister of Economic Affairs, disclosed last week that South Africa’s oil bill had risen from R198 million in 1972 to R1 300 million a year now.

There is major concern on world markets that the oil price rises will hit the world economy generally and bring the dollar under new pressures.

Some reports also suggest that independently of this there are indications of “funk money” leaving Iran on a huge scale and that some is heading for the bullion markets.

The dollar fell on foreign exchange markets around the world yesterday following the much larger than expected rise in oil prices announced by Opec.

The US currency, which had been enjoying comparative strength for just over a month, plunged to 1.8690 German marks and 1.6065 Swiss francs and the pound sterling rose above $2 as turmoil returned to the foreign exchange markets.

The US Federal Reserve was reported to have stepped in to defend the dollar on Asian markets and dealers in Tokyo and Europe said the Bank of Japan and European central banks had also come to the dollar’s help.

With the dollar weaker gold rose. In Hong Kong this appreciation was also linked to nervous investors from Taiwan who were worried about the US agreement with China.

A Swiss banker told me that the mood of the gold market had been bearish over the past few weeks.

The big increase in the oil price had taken dealers by surprise and they rushed in to cover their positions.

Russia continues to be out of the market, while less gold is flowing to the markets from South Africa because of Krugerrand sales and lower output ahead of the Christmas holidays.

A London bullion dealer confirmed that there had been extensive covering of short positions.

He was hoping that the bears would absorb some of the gold which will be offered at the US Treasury auction today.

But he estimated that most of the bears would have covered in, now that the price had increased sharply.

The London dealer thought that the market was thus more vulnerable from a technical point of view because there would be more long than short positions.

The bulls would be anxious to make quick profits and were potential sellers over and above the 150,000 ounces from the US Treasury must be absorbed by the market.

Foreign exchange dealers said that there had been no sign of bank intervention to support the dollar yesterday.

They estimated that the oil price increase would add about $4,000 million to the US trade deficit next year.

Before the oil increase announcement some banks had estimated that the US trade deficit would fall to $30,000 million in 1975.

Foreign exchange dealers however, do not foresee another run on the dollar.

They maintain that the present plunge is only a reaction in an upward trend and that the US Federal Reserve and the US Treasury will pursue tight money and fiscal policies to shore up the dollar.

Gold shares rose slightly in London yesterday but brokers said that the market was quiet.