Gold

January 1977 – October 1977

(1) 79 (2) 2113

The gold agterskot issue

Fin Mail 14/1/77

The Chamber of Mines is likely to make further representation 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 to reserve at a time when the market price was above the official price. But the Chamber has maintained careful records of which mines produced what over the period when gold reserves were built up, and hopes that there is some chance of its representations succeeding.

A bit of history: up to March 1968 all gold was sold to the monetary authorities at $35. As the diagram shows, the reserves peaked during 1968 and were then run down to their low point, which actually occurred in February 1972. From April 1972, the gold price improved, breaking through $50 in May, and reserves were consistently built up until May 1973 — a process shown in the first table — when the gold price was around $90. Since then, they have remained fairly constant at about R550m at the official price, or around 18,5m oz,

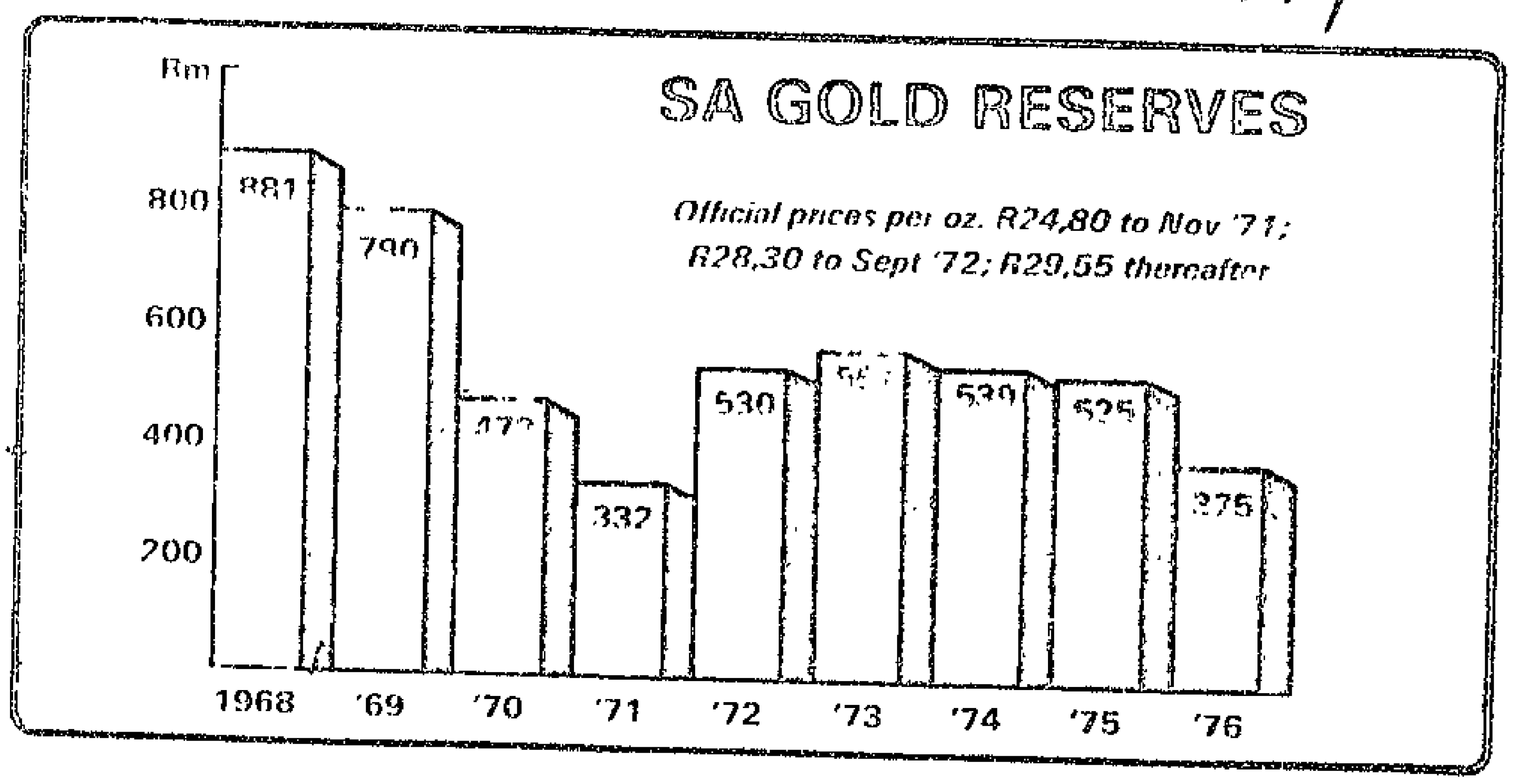
DETAILED GOLD RESERVE MOVEMENTS

	Value Rm	No of oz m
April 1972	333	*11,8
May	350	12,4
June	378	13,4
July	404	14 3
August	434	15 3
September	448	†15,2
October	496	16,8
November	515	17,4
December	530	17 9
January 1973	549	18,6
February	552	18 7
March	555	18 8
INCREASE	222	7 0

*At R28 30 per oz
†At R29 55 per oz

before allowing for the 5m oz gold swap done last February.

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 improving price. The Treasury took the view that in terms of the Currency & Exchange Act, any "profit" arising on gold retentions 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, with appropriate parliamentary approval, from passing on all or part of this "profit" to the mines. This issue would be judged on



its merits when it arose.

The issue could arise this year in various ways:

- The reserves will have to be revalued this year when the new IMF articles are ratified, probably towards the end of the year. But it is not clear yet how the Reserve Bank will handle revaluation (which has implications in other areas, such as the Mozambique convention). It could simply publish a weekly figure in oz and let analysts, or creditors, place their own value on them. Or, like the central banks of Italy and France, it could make its own market valuation.
- The 5m oz gold swap arranged last year was not deemed to be a sale of gold from reserves, and so 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 the case for the mines' receiving the premium — the margin between the R28,30/R29,55 per oz the mines received initially and the price at which the gold is eventually sold.
- Regardless of what happens to the swapped gold, the remaining gold content of the reserves might be run down during 1977, 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 R800m at the current price. But of this the mines have already received R200m, which represents the official price element. The R600m balance would be subject to tax at the mines' top marginal rates, 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 R160m 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,

AGTERSKOT WINNERS?

	Issued Shares m	Par value less capital repaid c	Gold output Apr 72 Mar 73 kg	oz	% of gold output over period	Possible pre-tax value of agterskot Rm	Net value per share c	Current share price
E Dagga	3,73	100	7 626	245 000	0,86	5,1	55	30
Leslie	16 0	65	10 586	340 000	1,12	6,6	17	54
Marievale	4 5	50	7 023	226 000	0,79	4,7	42,	110
SA Land	6 6	35	5 129	165 000	0,58	3,4	21	72
S Roodepoort	3 4	56	2 561	82 000	0,29	1,7	49	95
Vlakfontein	6 0	100	5 685	183 000	0,64	3,8	25	60

ANNOUNCEMENT BY SENATOR THE HONOURABLE O.P.F. HORWOOD, MINISTER OF FINANCE

For Immediate Release

When the new Articles 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 R29,55 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 FIN. MAIL 79

$300m mystery 21/1/77

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 staffers deduce, spokesmen tell the *FM*, 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 predict 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 (*FM* 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.

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.

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.

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 6,25m 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.

Hansard 3 Q cols 288-289
11/2/77

Annual income from gold sales

250. Mr. L. F. WOOD asked the Minister of Finance:

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

The MINISTER OF FINANCE:

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

1973	R1 770 million
1974	R2 565 million
1975	R2 540 million
1976 (January to September)	R1 768 million

79

FIN. MAIL 11/3/77 (79)

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.

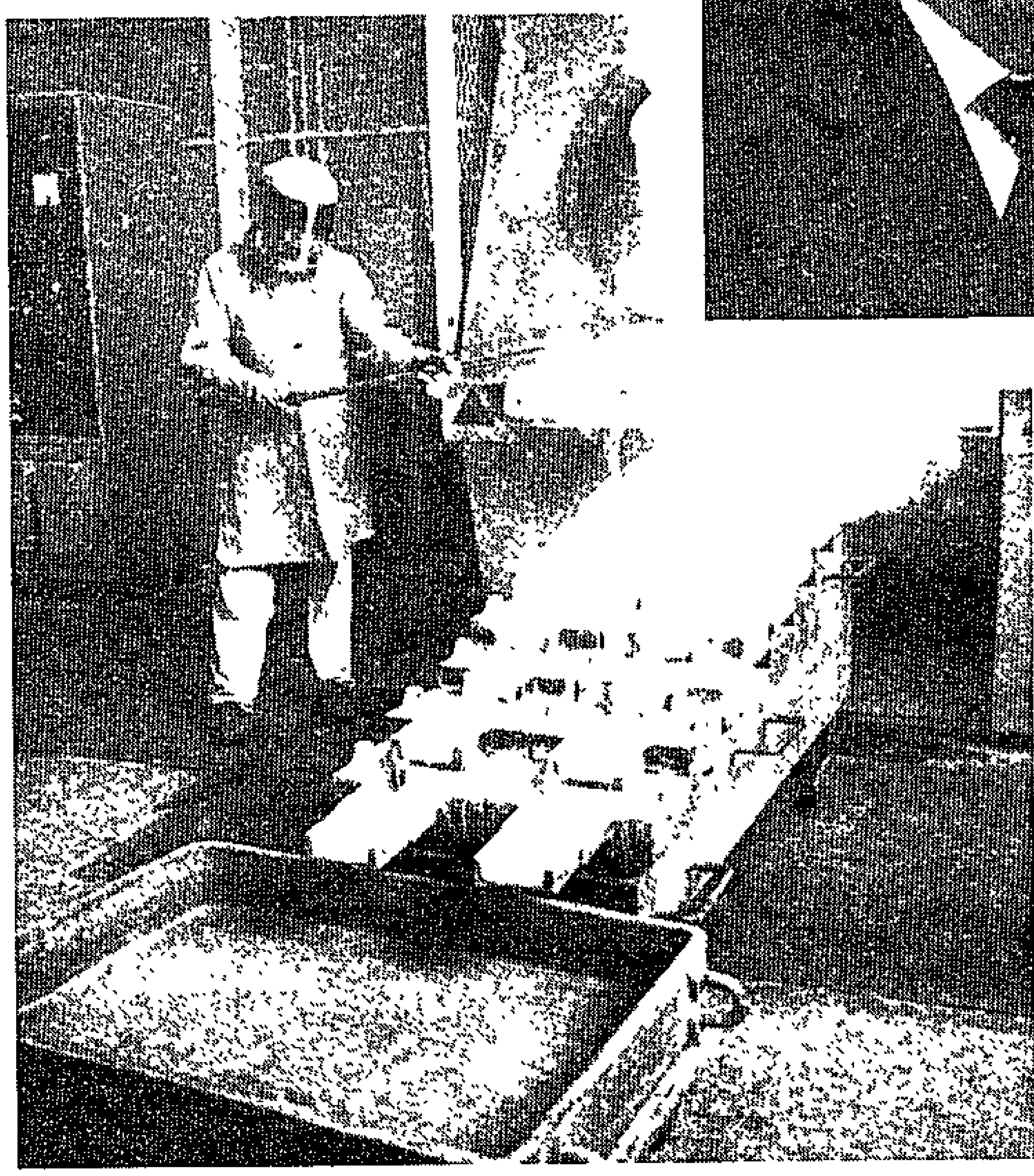
Let's look at the scenario:

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 his 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.



Arthur Burns (inset) . . . US inflation could spell a bull market for the yellow metal

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 macroeconomic 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 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 4,8m 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 2,4c/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 Seifsa'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 (*FM* 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 Lagaay, director of the SA Federation of Civil Engineering Contractors. Between February 1976 and February 1977 the

Herber . . . depression on the way?

Lagaay . . . more casualties ahead?

Searll . . . clothing on the decline

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.

11/3/77

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 1 380 t while total supply was some 1 300 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 jewellery-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.

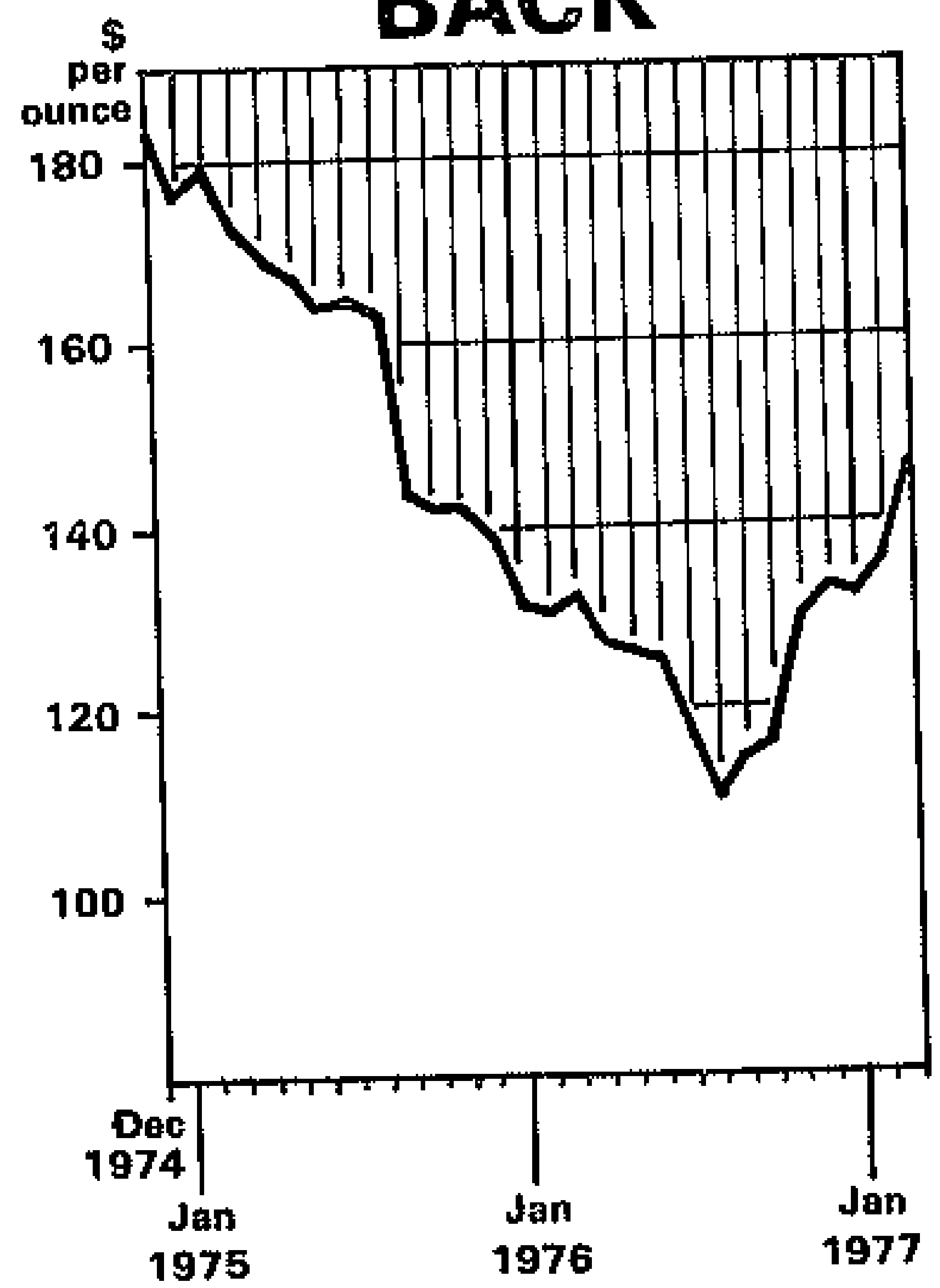
Nevertheless, it's most unlikely that industrial demand alone could keep the gold price much above the $135-$140 price range, so its climb to $148 this week clearly indicates investment/speculative buying.

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 sounder. As it is any accelerated price increase is likely to frighten the speculators and bring about the usual overreaction — 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'S CLIMB BACK



Gold at $152 as US shies off early auction

RDM 14/4/77

79

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.

In the morning it was fixed at $152,30 — nearly $3 up on Tuesday's second fixing of $149,70. The afternoon fixing was $152,20.

London and Zurich dealers say the market has firmed on the statement that the United States Treasury is not considering an auction.

The Under-Secretary for Monetary Affairs, Mr Anthony Solomon, says the United States is not keeping the matter under review.

In the past few weeks gold has slipped on reports that there will be another United States auction, so the statement cheered the market even though it leaves the possibility of an auction.

Another factor influencing the market is an article on gold in the influential American financial publication, Barron's.

This says that oil-rich nations of the Middle East, overloaded with dollars and fearing inflation, have been quietly buying gold. Statistics indicate that Kuwait bought gold at the International Monetary Fund auctions, and the Bank of Oman of the United Arab Emirates used a Swiss bank to bid for IMF gold.

According to informed sources, private Middle Eastern buyers, acting through a West German bank in Zurich, snapped up a large overhanging block of gold to clear the way for a solid rise in the price.

Barron's says other buyers moved into gold for similar reasons, fearing a new wave of inflation from President Carter's spending programmes and the stresses and strains in the international money market.

Thanks to a $4-million promotion by the South African Chamber of Mines, Americans bought a record amount of Krugerrands. This helped the South African Government drain 13 per cent of its gold output from the bullion market and shore up prices.

The article says that most of the new buying did not come from United States gold bugs — badly burned, they remained on the sidelines.

Brokers and traders report that most of their sales went to investors and speculators in Europe.

"They are bullish about gold not because of its political symbolism, but for the investment case which can be made for it," says Barron's.

Among these buyers were Arabs, both governments and individuals.

According to the report, a financial adviser to a member of the Organisation of Petroleum Exporting Countries says he was told by private Arab bankers that they would quietly step up their gold buying, largely through Swiss banks.

Barron's cautions, however, that IMF and Russian gold sales could militate against too rapid a rise in price.

A London dealer says that when the price was in the $130 to $135 range heavy selling was easily absorbed by buying from the Middle East, but it was also taken for jewellery.

Consolidated Gold Fields, Samuel Montagu and Moscow Narodney Bank say there was Middle Eastern buying towards the end of last year.

A Swiss dealer says there is general speculative interest in the market and this is not confined to the Arabs. He says, however, that industrial demand is waning.

In its latest review of gold and gold-mining shares, London stockbrokers Strauss Turnbull estimates that Western consumer demand this year will be 1 450 tons, and Western production and IMF sales will supply 1 300 tons.

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

Strauss Turnbull says that in spite of gold rising above $150, gold shares have drifted lower.

Brokers believe, however, that gold and uranium shares will generally appreciate further on prospects of higher dividends

Krugerrand sales rise

OVERSEAS Krugerrand sales rose to 227 000 coins in March from 75 000 coins in February and compared with 251 000 coins in March last year, says the manager of International Gold Corporation Mr Don Mackay-Coghill.

He says the increase can be attributed to the rise in the gold price.

Total March sales were 237 120 coins — 227 000 coins overseas and 10 120 in South Africa. The total February figure was 82 969 coins — 75 000 and 7 969.

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.

Switzerland's offtake is small and most of the overall offtake finds its way to the United States and other markets.

Intergold plans an advertising campaign in Germany, but on a smaller scale 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 3 004 945 coins. — Reuter.

Demonetisation still policy

WASHINGTON. — President Carter will continue the United States policy of demonetisation 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." — UPI

Golds' firmer trend

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The JSE was subdued and despondent until Wednesday, when bullion leapt from \$149,70 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 it. The *RDM* golds 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.

The *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. Bester put on 4c to stand on 30c but fell back to 28c, presumably as a result of the R30m 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 R520m 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 equities.

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. Podgorny, Carter, Andy Young, Dr Owen and the "Big Five" ambassadors were all bad news, they said. The would opt for gilts and semi-gilts in preference to equities, even after they had fulfilled their Budgetary obligations. They were also unimpressed by the low 11% interst 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 Carte

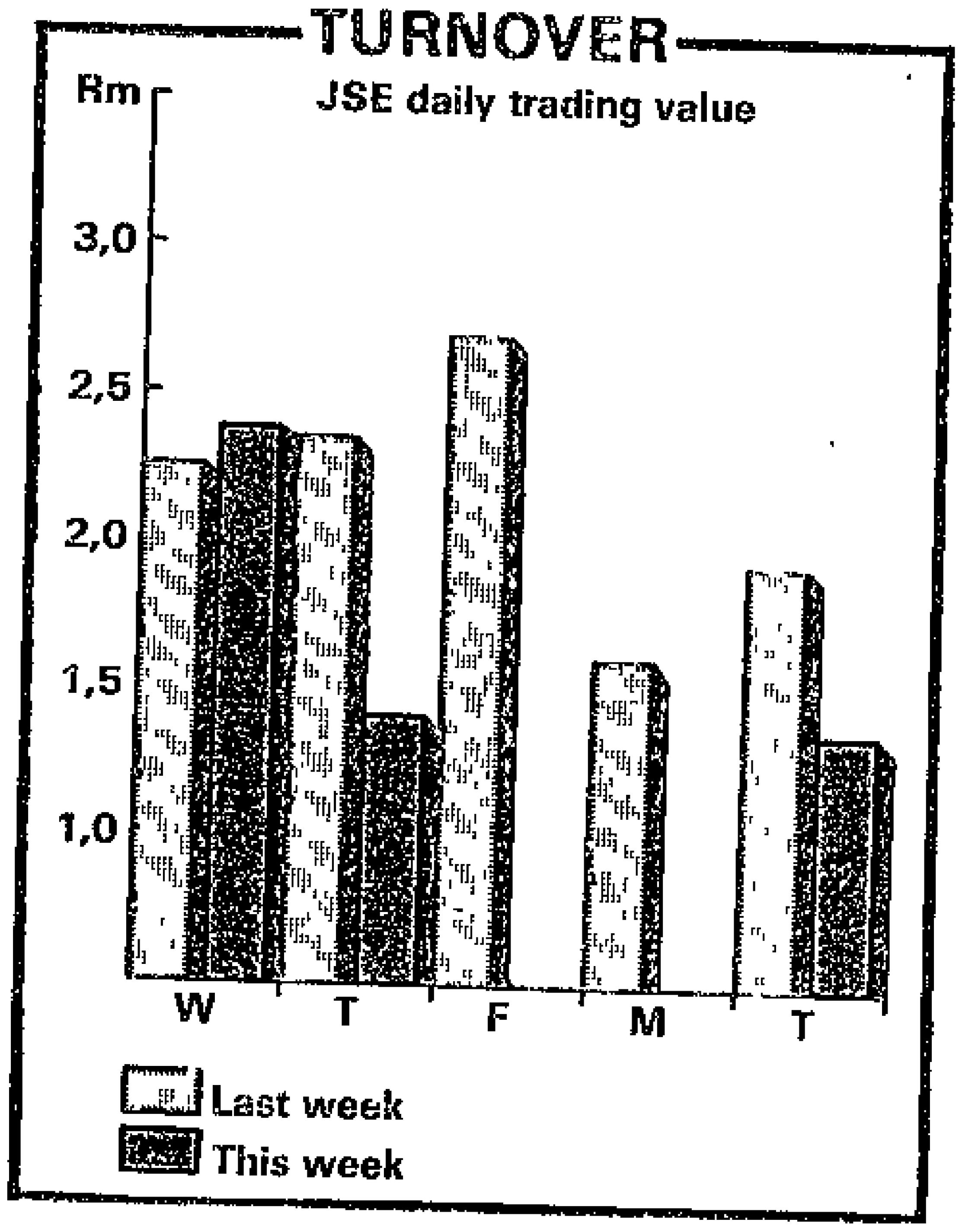
SIGNPOSTS FOR INVESTORS

	Current	Week ago	Month ago	Year ago
***RDM* 100**	**170,0**	**169,3**	**173,7**	**200,4**
% change on	—	0,4	—2,1	—15,2
P/E ratio	2,8	2,8	2,9	3,8
Div yield	12,6	12,6	12,1	10,0
UK *FT* Ind	**507,9**	**405,6**	**427,9**	**393,2**
% change on	—	25,2	18,7	29,2
P/E ratio	8,5	8,3	9,0	9,4
Div yield	5,6	5,6	5 2	5,3
US Dow Jones	**937,2**	**915,6**	**965,1**	**971,3**
% change on	—	2,4	—2,9	—3,5
P/E ratio*	10,5	10,2	10,7	13,7
Div yield*	4,2	4,4	4,1	3,3
Gold price (in US \$ on London)	**149,8**	**150,4**	**146,6**	**127,3**
% change on	—	—0,4	2,2	17,7
Chicago Gold Futures	**150,0**	**150,0**	**147,5**	**128,0**
% change on	—	—	1,7	17,2
Krugerrand† (Rand)				
Public selling price	**149,6**	**150,0**	**146,3**	**119,5**
% change on	—	—0,3	2,3	25,2
Johannesburg dealer's average selling price	**159,2**	**158,6**	**154,2**	**147,0**
% change on	—	0,4	3,7	8,3

**Standard & Poor index*

†Public buying price is 10% below, subject to negotiation

TURNOVER



LEADERS & LAGGARDS

	Share Price (cents)	Change (cents)	% Change on week
LEADERS			
Hub Dav	205	60	41
Picbel	45	11	32
Picotel	43	8	23
Prosure	70	10	17
Bester	28	2	8
LAGGARDS			
Sakers	24	6	20
Empical	18	4	18
Edworks A	42	8	16
Amaprop	18	2	10
Veka	31	3	9
EDagga	25	2	7

Another source of foreign cash

79

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

FIN. MAIL 22/4/77

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 *FM* 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, Deutschemarks, 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.

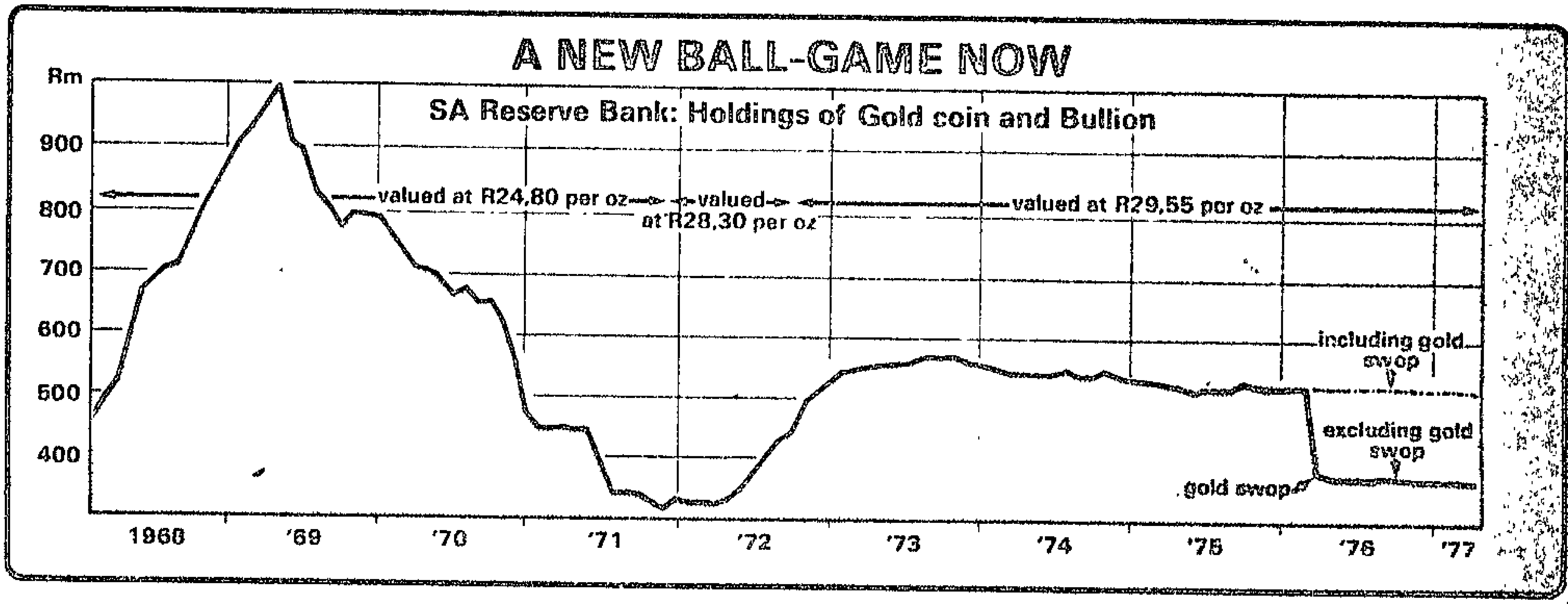
The vagaries of the gold market and the possibility that SA might at a later stage be forced to sell gold into a weak market are added incentives for Pretoria to sell out of reserves while the going is good.

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 sizeable 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.



22/4/77

• Only a fraction of the gold restituted 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.

GOLD SWAP

FIN MAIL 6/5/77

79

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.

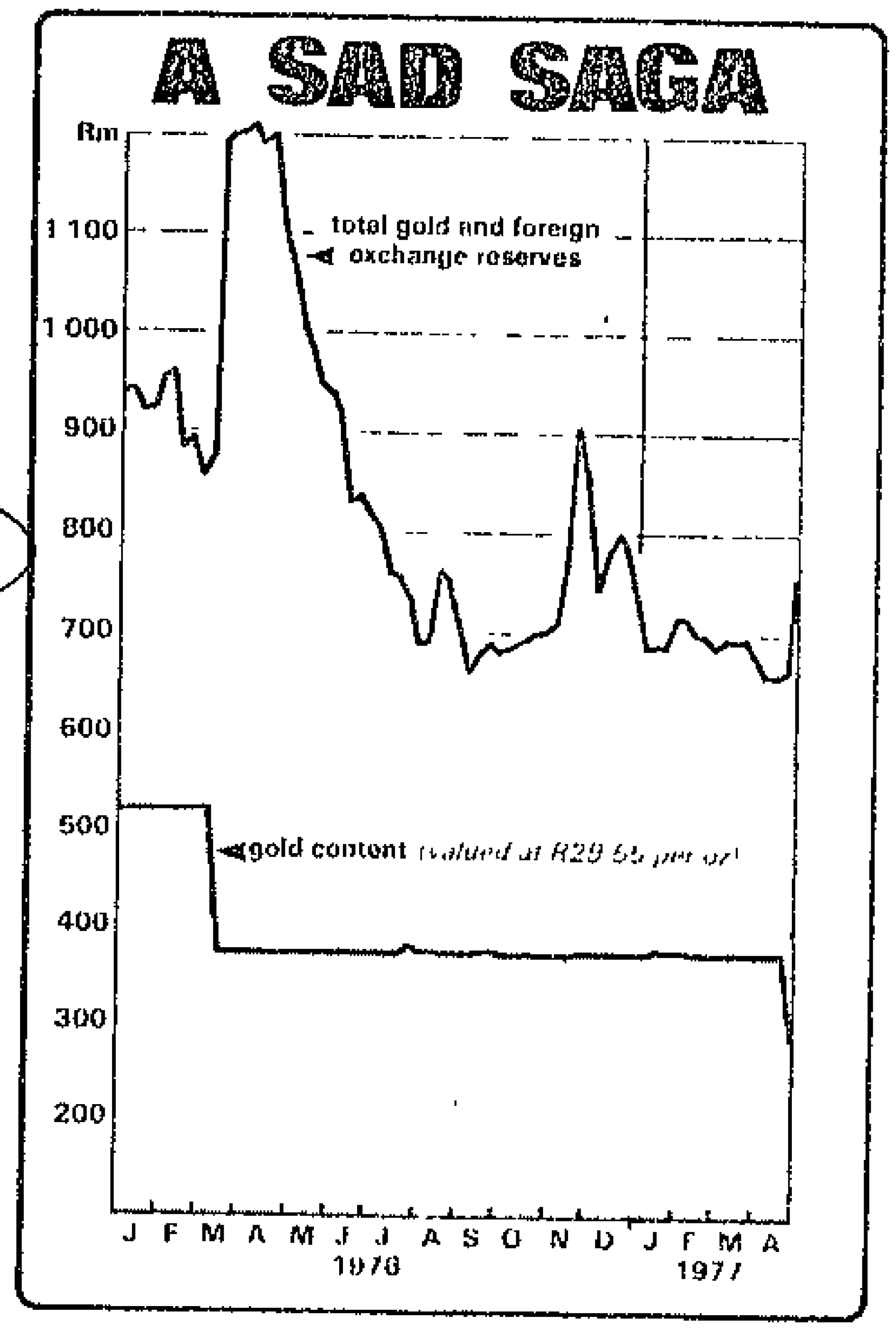
Not that there were many alternatives to last week's gold swap. The swap — which many observers thought Church Square was both unwilling and unable to conclude — is in some ways preferable to selling gold out of reserves, since the latter could upset the bullion market (*FM* April 22). On the other hand, 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.

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 banks' credit ceilings and government's loan stock



issues) will enable banks to assist traders with local finance. In addition, maturing trade credits will far outstrip the arrangement of new ones, thus prompting sizeable short term capital outflows.

The identity of the parties to the swap has not been disclosed, but most experts reckon the deal was probably concluded with the same Swiss banks as were involved in the first swap.

FIN MAIL 3/6/77 79

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."

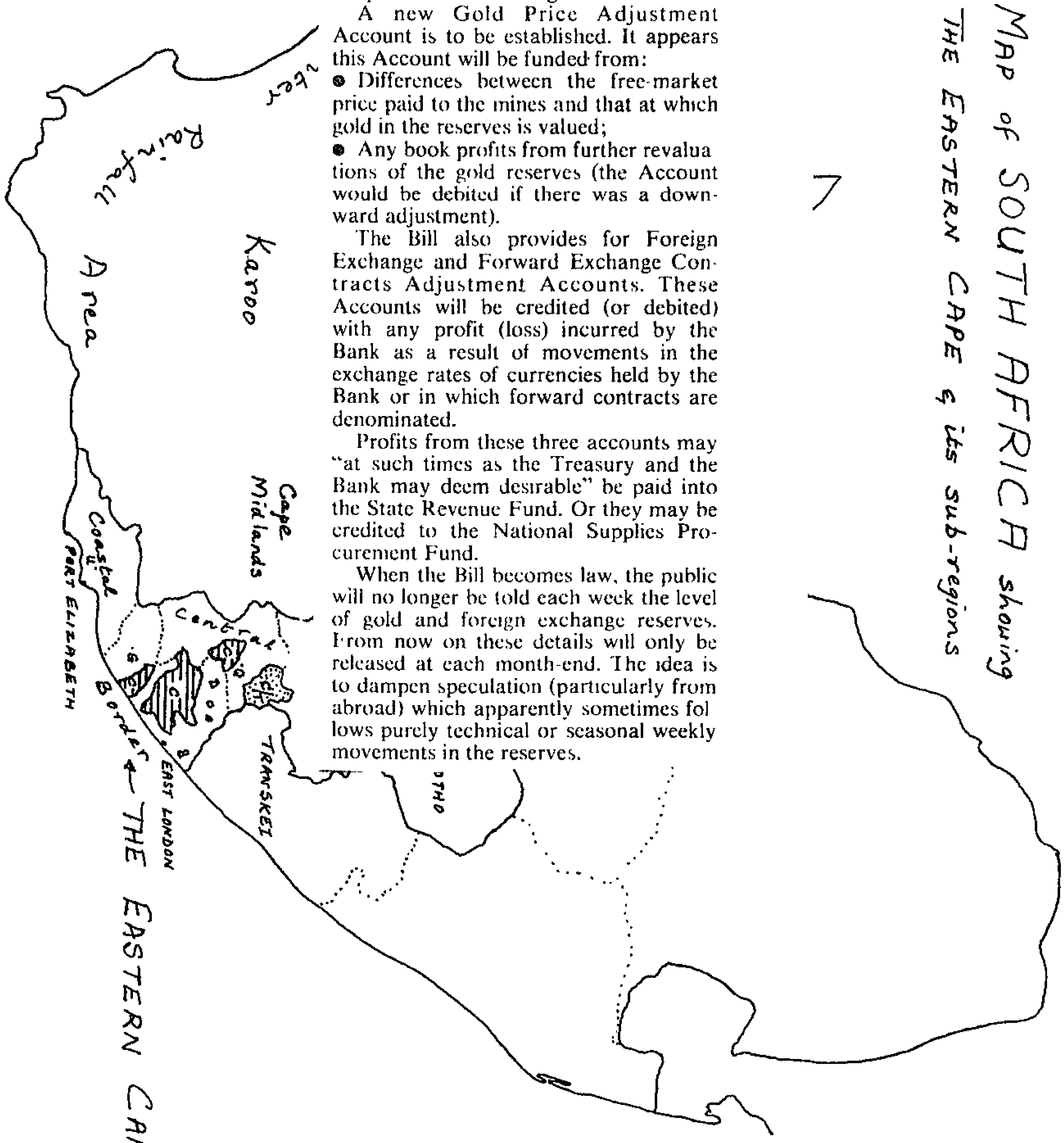
A new Gold Price Adjustment Account is to be established. It appears this Account will be funded from:

- 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 these 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.



MAP of SOUTH AFRICA showing THE EASTERN CAPE & its sub-regions

THE EASTERN CAPE

Source: Agric. Census, Dept. of Statistics

FIN. MAIL 10/6/77

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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 600m. 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.

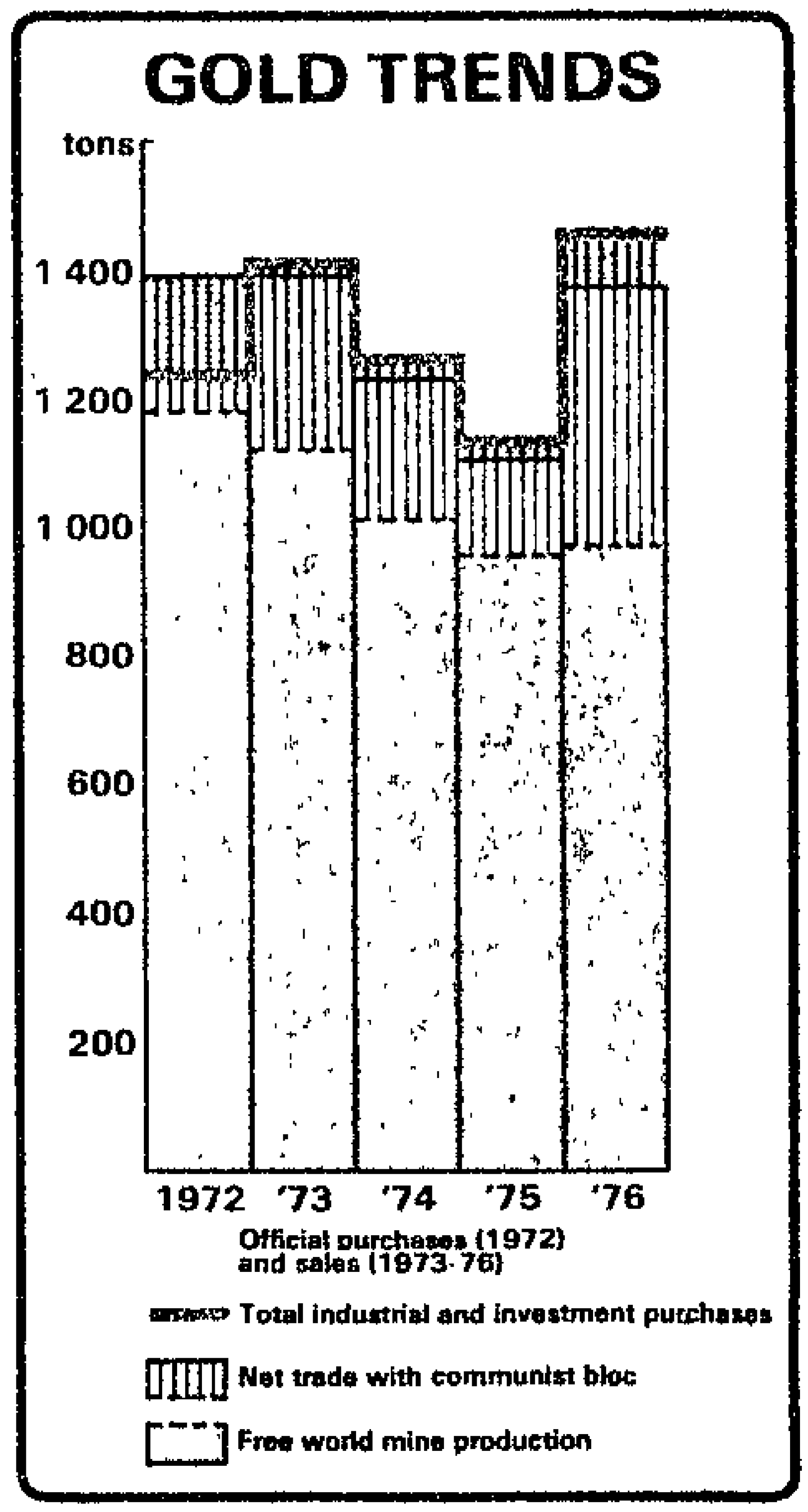
Cons Gold's analysis of supply and demand trends (see diagram) shows that net private purchases — the catch-all figure, including industrial, coin usage, and investment or hoarding demand — reached its highest level in 1976, at 1 448 t, since 1968. Supply was augmented by heavy USSR sales (412 t), the 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-300 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 onward shipment to India, these countries absorbed 400 t, plus a further 80 t of gold jewellery, 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.

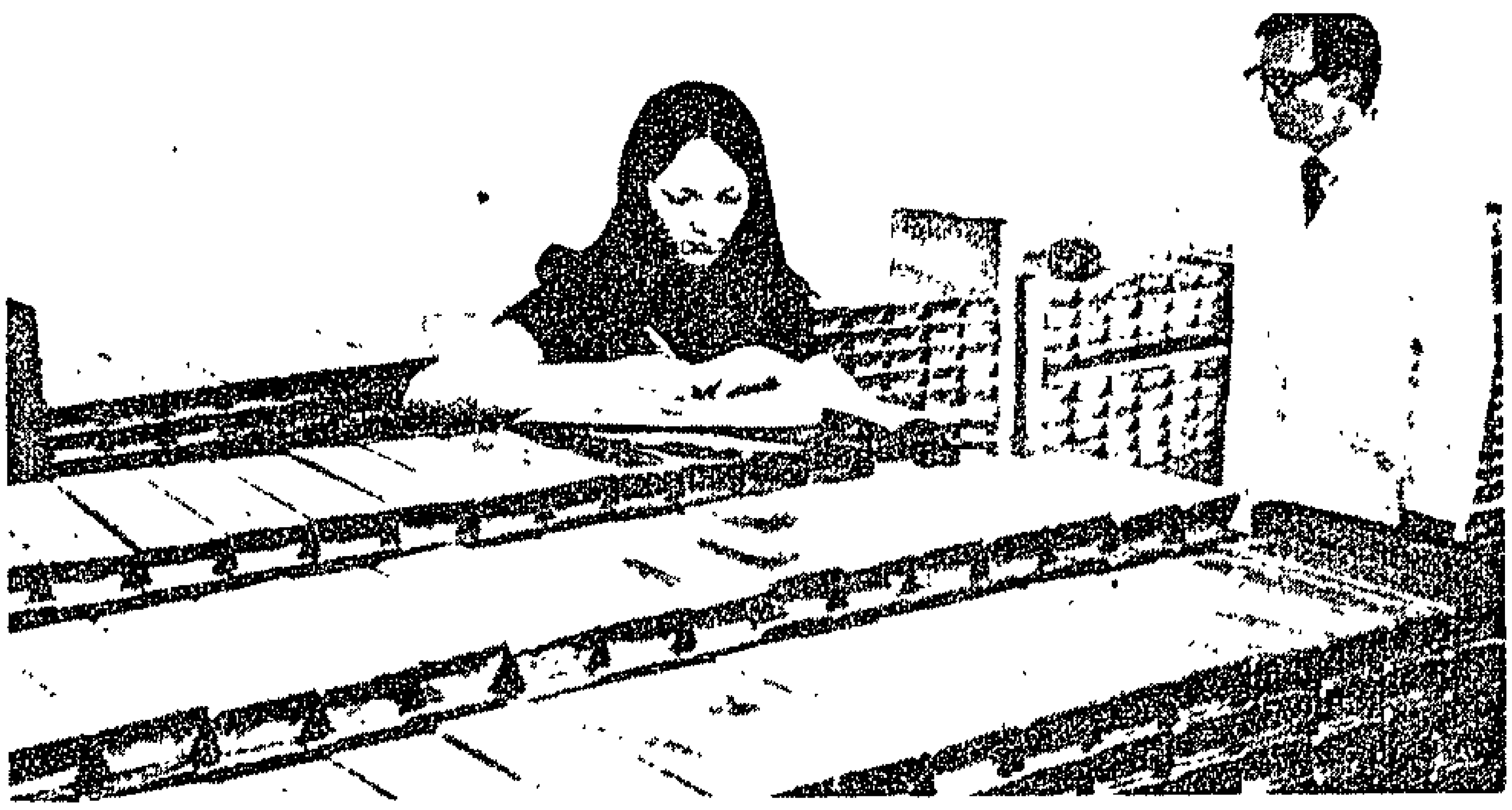
Investment/hoarding purchases of 200 t do not seem unduly high, though Cons Gold's estimate of this category for 1976 is 89 t. However, during the gold boom, the figure went as high as 546 t in 1973.



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 of more than 8 000 t 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

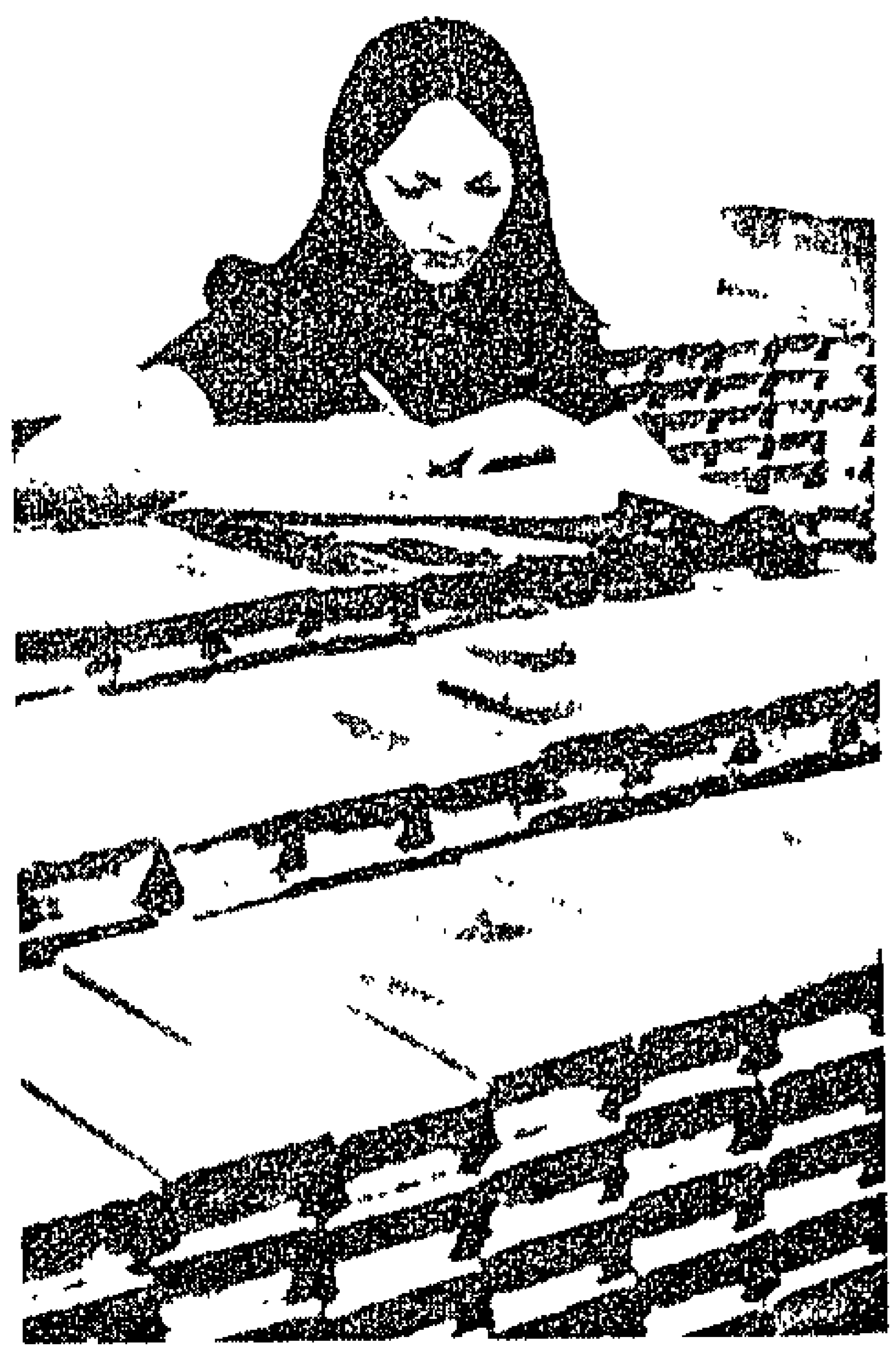
FIN. MAIL 24/6/77

Will the US hit back?

79

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 6 sale of 525 000 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.



Booking it out in Europe

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

Sake-Rapport 17/7/77 (79)

Van ons Korrespondent

LONDEN

DIE vraag na goud is besig om toe te 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 goue munte. Dit sluit Krugerrande in. Daar is altesame 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 meer 'n gevestigde geldeenheid nie en neig nou om soos rentekoerse en die beheer van regerings op die geld in omloop 'n monetêre instrument te word.

Hy het Suid-Afrika, Oostenryk, Kanada en Rusland as voorbeelde 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-reserwe 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 voorspelling van ander gebruike vir goud in die nywerheid: Behalwe die ander handelsaanwendings is goud blykbaar 'n baie goeie isolator. Met die styging in die koste van energie raak die verhitting van geboue al hoe duurder. Argitekte 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 goudprodusente, Suid-Afrika en Rusland, daaraan nie.

Nie een van die Amerikaanse mynmaatskappye is lede nie, maar die hoofkantoor is in Washington. Onder sy lede tel egter die meeste groot goudhandelaars, waaronder byvoorbeeld Londen se Samuel Montagu.

Daar is reeds genoeg agting vir die instituut om 'n uitwerking in die handel in goud in Londen te hê op die goudmark en die effektebeurs.

Die Londense goudprys het bestendig begin styg sedert die instituut se voorspelling verlede week tot die huidige vlak van sowat 144 dollar per ons.

Goudaandele het ook heel stewig begin vertoon op die Londense Effektebeurs.

Gold: Arabs on the move say Swiss

Sunday Times (Business Times) 31/7/77

OIL RICH Arabs are hastily moving their millions out of dollar investments and buying gold, according to leading Zurich bullion dealers.

This is a move long awaited by gold producers for it could place a firmer floor under recent price levels. Better still, it could send the price moving steadily higher.

A top bullion dealer in one of the major Swiss banks told me that recent stepped-up private Arab purchases were a major reason why the gold price has been so firm at a time of seasonal weakness.

The gold price is traditionally weak at this time of year as European industrial users of gold are on holiday.

Yet in the last few weeks, gold has been bought solidly for \$138 up to \$146, before slipping a little this week to \$144 an ounce on Friday.

The major factor behind the Arab buying of gold is the slide of the dollar in terms of other major trading currencies.

"The Arabs started coming into gold in a small way when the price dropped down to \$100 an ounce towards the end of last year. More recently, the physical off-take by Middle

By JEREMY WOODS

Eastern private investors has become a dominant force in the market," a Swiss dealer said.

But, more important for South Africa than the private buying, are reports that at a meeting two weeks ago of the Saudi Arabian Monetary Agency a decision was taken to invest government funds in gold bullion.

"Arab governments have been urged to buy bullion several times in the past. Although there has been no evidence of government buying as yet, I would not be surprised if the Arab governments enter the market before the end of the year," another Swiss bullion expert told me.

The fact that individual Arabs are buying gold is an encouraging pointer to possible government participation in the near future," he said.

Last year Arab workers were energetic buyers of gold jewellery. Both Arabs and migrant workers from India and Turkey regard gold as an important store of value; it has for them important social and religious significance.

The latest 'Gold' report from Consolidated Gold Fields estimates that some 500 tons of gold was bought by Middle Eastern countries last year "or almost one third of all gold coming on to the market."

JIM SRODES writes from Washington: The old adage is that gold traders usually buy on rumours and sell on news. This week added another bit of proof that old adages are often accurate.

Earlier this week, while the dollar was taking a battering and rumours flew that the US trade deficit in June would be double the May level, bullion futures buyers on most American exchanges were bidding the price up steadily. By Tuesday, gold futures were up \$2 an ounce on near date deliveries and only slightly lower for deferred delivery contracts.

On Wednesday the expected bad trade news came out in public. By Thursday gold had lost as much as \$1,50 of the ground it had gained.

Closing prices on the New York Commodities Exchange showed all delivery dates off by \$1,30. The International Monetary Market in Chicago had losses of \$1,20 — \$1,50 on December deliveries while platinum futures were off 70c on the New York Mercantile Exchange.

• See also Hollard Street Page 2, and the back Page.

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CAPE TIMES 4/8/77

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Gold rises to $146,50 as market awaits auction

By PAUL DOLD
Financial Editor

GOLD pierced the $146 level at the close yesterday underscoring 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 very 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 stagging 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 Vaal Reefs up 30c and Libanon 25c as was W Hold. St Helena and S Vaal were up 20c. Leslie was active rising 3c to 46c.

Af Lease was run up again closing at 720c for a 40c gain on the day. WR Cons put on 13c. De Beers was unchanged.

Coals were quiet apart from Tavistock which spurted 70c on its excellent profits. Coppers firmed with Palamin 10c higher. Platinums shaded a few cents while tins were unchanged. Cons Murch firmed 10c. Both asbestos counters weakened.

Financial minings were firmer with Anglos up 3c to 438 and Amgold up 40c.

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ashed Out Games.

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From the Notice Board:

Please note the following dates in your diary:

This is to certify that has

GDGC Seven-a-Side Tournament - 7th August
applied for admission to the University in 19
Club AGM - please be sure you're there - 14th August
Ohlssons Tournament - 21st August
as a/an degree candidate.
Hockey AGM - 18th September

All/the following courses in the curriculum for this

At the time of going to press, final details of our September tour are not yet available. We had originally planned to go to George for a tournament, but then changed to a trip to Oranjemund. Confirmation of our invitation to the Oranjemund tournament is awaited. If this comes off we will travel by coach with VOB/VOG to Oranjemund together with our ladies - our party consisting of 24 persons. The teams will be selected in due course and members advised. Estimated cost is R40 per player not including pocket money.

degree as prescribed, are compulsory.

Seven-a-Side Tournament Arrangements:

Our annual show-piece is once again made possible with the generous assistance of Ohlssons Breweries and will take place on Sunday 7th August commencing at 10.00 a.m.

U. METCALF
for Registrar

Teams: Pool A: Sea Point, Olympics, Pinelands, GDGC, Ohlssons and Constantia

sr

Pool B: Paarl, VOB, Fish Hoek, 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 fires 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.

....../2

All that still glisters

GOLD is dead. Long live gold!

This week the world had ample evidence of how dead that infatuating 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 chrysofile 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 Willian 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 Steet 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

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4 (79) 7/8/78 SUNDAY TRIBUNE

TWO EXPERT VIEWS OF THE PRECIOUS METAL

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, golds prospects, to say the least looked distinctly miserable.

Majority opinion was that it was set to plunge through the 100-dollar floor and it was only the stout-hearted dared suggest that the nose-dive would be reversed.

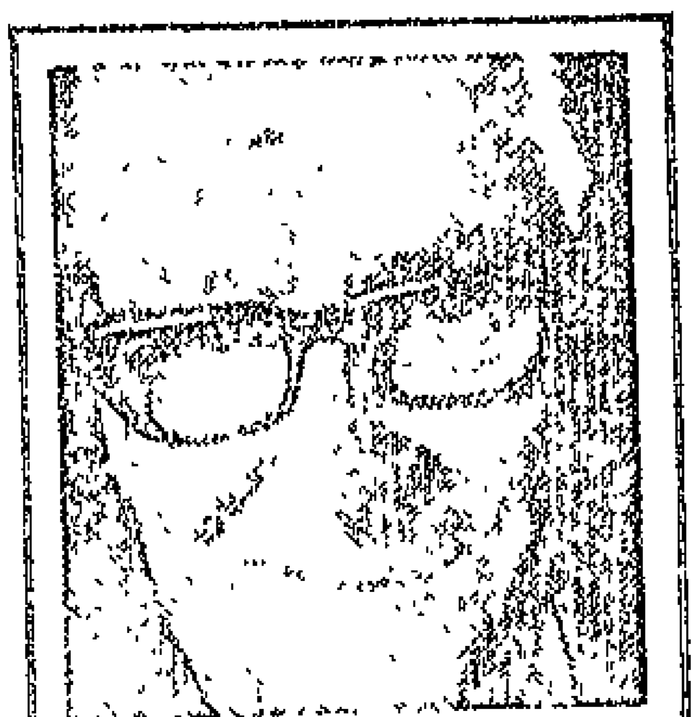
The main reason was the onset of the gold auction scheme to sell off 25-million ounces of metal between mid-1976 and 1980 to assist the poorer nations. Nowadays, no one queries the sincerity of the IMF administration in coming up with such a scheme. But then it got linked with grave suspicions that it was all part and parcel of deep laid plots 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 auctions was bad, showing once more that the all too common long divorce between ivory tower inhabiting experts and the realities of the market place.

July and August in Europe are the months in which all who can take holidays in the country do, and business of all kinds barely ticks over.

So far as investment in gold was concerned, such operators as were about remained on the sidelines as no clear thoughts existed on the impact of a 3½ year running tap of gold would have on the supply-demand position. Furthermore, the big jewellery fabricators were also away from



TAKING STOCK: Mac Thain

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 that of a substantially better bullion price.

De jure, the demonetisation of gold has got somewhere 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 the theoreticians is that the main casualty in the victory of Keynes' "barbarous relic" has been the special drawing right which was to bring order in the international monetary system.

The great millenium when 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 travail of the dollar reveals this and faith 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 IMF, only the merest 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 emerge 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.

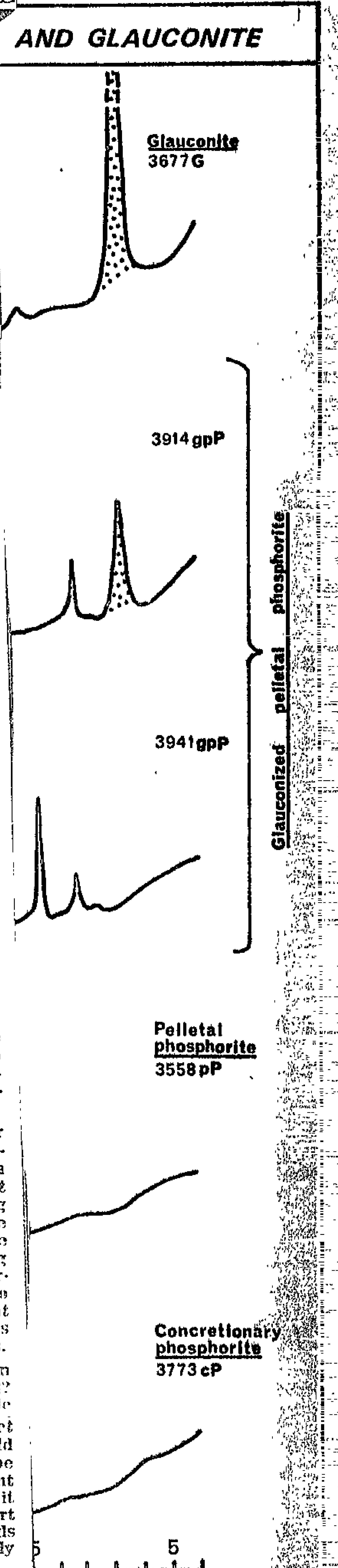
It was mooted earlier on in the year that price and demand could tail off in July and August with fabricators wanting less metal but this does not seem to be the case.

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

A possible indicator of the trend is krugerrand sales which jumped to 305 000 last month — representing around 15 percent of the July gold output. The Intergold advertising campaign in West Germany contributed to this, but it shows that currency disturbances encourage gold holdings.

What tack is gold on in the months ahead? The price could wobble a bit but bullion market thinking is that it could move up towards the next testing point of 150 dollars and if it can survive this, start along the path towards 160 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



Cont., next page

Figure 5.30

07/08/77

Welcome spin-off for us in South Africa

Special Finance Correspondent

around the ... August with the ...

... all this was not bad enough ... Union turned a ... of gold to pay for grain imports and to ... everything the ... treasury had a ...

... field in which ... gold ... the ... Congress returned to ...

... In the words of ... dealer ...

THE GOLD PRICE ... peak for the ...

The London price now stands at over 140 dollars ...

the prices of ... South ...

The question of the ...

... the ... dollar ... fixed parity ... of ... dollars ...

... with ... volume of ... should be ...

... outlook ...

SUNDAY TIMES, Business Times, August 14, 1977.

Gold-hungry America doubles its demand

79

By Jim Srodes: Washington

MORE gold bullion was imported into the United States in the first six months of this year than in all of 1976.

Moreover, this doubling of demand has been under intense selling pressure from foreign government accounts and now that that is easing, industry and government forecasters predict 10-million ounces of imports — roughly 25 per cent of the world's output — will be consumed in the US this year.

Summer time is usually slack in the American gold markets.

Traditionally, the New York and Chicago jewellery manufacturers are closed during July and August and most bullion inventories are worked down to zero. Yet official Treasury gold import data for June shows 1 206 000 ounces were imported into the United States, a level exceeded only by the 1 704 000 ounces imported the month before.

The monthly inflow brings the six-month import totals close to 5-million ounces of bullion and another 734 000 ounces of gold coins which have been selling in the US at a rate of about 100 000 a month for the past two years.

While gold demand has equalled its 1976 totals so far this year, so also has the sell-off of gold from official accounts. This pressure has not just been from the poorer nations which have cashed in the gold obtained from the restitution in January by the International Monetary Fund.

Thomas Wolfe, a Washington-based precious metals consultant, told the Sunday Times that the national banks of Switzerland and Austria had been two major movers of bullion out of their accounts at the New York Federal Reserve and into the world markets.

In all, foreign account sales have moved 1 985 000 ounces out of the Fed this year, almost equalling the 2,1 million ounces sold in 1976.

"The June sales included 133 000 ounces from the Swiss account and 32 000 ounces from the Austrian account. This is the smallest amount in more than a year and we believe that the pressure from these two countries will have to diminish. One reason is that their supply of 0,999-fineness bullion at the Fed is running out and we can look for a drop in sales," Mr Wolfe noted.

Moreover, observers at the yearly jewellers convention in New York reported record advance orders for jewellery were likely to keep industrial demand for bullion strong

Cape

Carter bows—and gold wins the day

Sunday Times (Business Times) 21/8/77

79

By Jim Srodes: Washington

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 viewed 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 bullion 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."

IMF told: back stock with gold

Sunday Times (Business Times) 4/9/77

79

Adlai Stevenson Jr . . . IMF could raise billions.

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 100-million ounces of bullion it still has in its reserves.

The senator is Adlai Stevenson Jr, a member of the senate panel of financial institutions such as the IMF. He made his remarks during a hearing on whether Congress should ratify Carter administration support for the so-called Witteveen Fund, a $10 000-million supplemental credit facility for the 100-or-so poorer IMF member nations which suffer severe balance of payments problems.

While Carter 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 sucessful war to rid the IMF of its bullion holdings and to drive bullion 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

Sunday Times (Business Times) · 11/9/77

$160 limit for gold?

79

By NEIL BEHRMANN

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 appeard when the dollar slumped in July, could tip the scales upwards.

With Germany, Japan, Italy, France and possibly Britain reflating, 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 $60-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 25/9/77 (79)

HOE om die surplusgelde van die olielande te laat deurwerk tot voordeel van die wêreld 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 olielande hul geld by die Westerse banke, wat dit dan weer aan die minder ontwikkelende lande uitleen.

Die probleem met hierdie stelsel is natuurlik dat die banke nou self die risiko moet neem van wanbetaling deur hierdie lande. En dit raak nou 'n wesenlike probleem.

In 'n onderhoud in die jongste Euromoney sê mnr. David Rockefeller, voorsitter van Chase Manhattan Bank, een van Amerika se grootstes, 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.

Vandeesweek se devaluasie van die Turkse lira is dalk reeds 'n voorbeeld van waartoe die banke gedwing is vanweë die swak buitelandse skuldposisie van dié land.

...WN

Course Organisa... ...lassified under the three headi... ...zation (2) Socialization and the life cy... ...ms and content. The course will be ... ...ussions. Each student will be require... ...entation as well as a long paper at... ...required to do some reading for eac...

FROM Name of Applicant ... Address ... versity of Cape Town, ...vate Bag ... Telephone No. ... 7700 ... ephone: 698531 Ext. 127)

Grading: All o... ...as each student's participation i... ...these assessments together with t... ...he final mark for this subcourse.

REQUEST FOR (POS... ...ing)

I wish to make ... e postgraduate degree of

Programme ...

	Topic			Place
1.	What is Soci... Concepts			A10
2.	C & P Theory			A10
3.	Ethnogra hic...			A213
4.	Major Concer... Anthropology Soc. Anth.			
5.	Rites of Passage. Social Role. Role learning. Developmental Socialization. Agents/Agencies	12/9	2p.m.	A207
6.	~~Initiation. Peer Groups. Age Sets~~	~~15/9~~	~~2p.m.~~	~~A213~~
7.	Summary Session	16/9	10.20	A10
8.	Resocialization (Old Age; Immigrants)	20/9		
9.	Deviance	26/9	2p.m.	A207
10.	~~Environment al/Economic Influences~~	~~27/9~~	~~10.20~~	~~A10~~
11.	~~Kinship Influences~~	~~28/9~~	~~10.20~~	~~A10~~
12.	Class	29/9	2p.m.	A213
13.	Summary	30/9	10.20	A10
14.	Formal Education	3/10	2p.m.	A207
15.	Political Socialization	4/10	10.20	A10
16.)	Ideology	6/10	2p.m.	A213
17.)		7/10	10.20	A10

1. Qualifications: Degrees/Diplomas ... University

2. Field of Research/Thesis Title:

3. I recommend the appointment of .... as supervisor, and support this application.

Head of Department – Signed ....

Date ....

4. ~~Faculty Authority : DC No.~~ ________ Date ________

Selected Bibliography: ...G No. ________ Date ________

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 s 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
3. Bernard, H.R.: The Human Way
4. Brim, O.G.: Socialization through the life cycle
5. Brim & Wheeler: Socialization after Childhood
6. Clausen, J.A.: Socialization and Society
7. Danziger, K.: Socialization
8. Fried: Readings in Anthropology, vol. II

(For Changes to Postgraduate Registration, see over) in Items 1964.18.1-5

SONDAG, 25 September 1977

SAKE-RAPPORT

79

IMF WIL G

Ons sê . .

MET die wêreld se ringkoppe op finansiële gebied almal op die oomblik in Washington vir die jaarlikse kongres van die Internasionale Monetêre Fonds (IMF), kon die sterk vertoning van goud op die vrye markte vandeesweek nie op 'n beter tydstip gekom het nie.

Die goudprys het die tweede keer vanjaar tot 'n vlak hoër as 150 dollar per ons gestyg, en die demonetiseringsgroep in die IMF sal nie anders kan as om te beken dat ook húlle nie die vertroue van die wêreld in goud kan knou nie.

Dit wil ook lyk of goud nie vanjaar so 'n sterk besprekingspunt by die IMF gaan wees nie. Die oplewing in die Westerse wêreld se ekonomieë bly net tot enkele lande beperk, terwyl die grootste deel in die wurggreep van die resessie bly.

Die tekens is dat druk op hierdie uitverkorenes uitgeoefen gaan word om meer te stimuleer sodat 'n deel van hul voorspoed na die armer lande kan oorloop.

Dit moet ongetwyfeld ook tot groot voordeel vir Suid-Afrika se ekonomie te wees, wat maar net nie behoorlik op dreef kan kom nie. Dan is daar ook steeds die hoop dat die goudprys verder kan verstewig, met sy klaarblyklike voordele vir Suid-Afrika.

5

Ook hoop vir Suid-Afrika

Van HENNIE PRETORIUS

WASHINGTON

DRUK om groei te stimuleer, sal hierdie week hier op die jaarvergadering van die Internasionale Monetêre Fonds (IMF) op die drie ekonomiese reuse van die wêreld, Amerika, Wes-Duitsland en Japan, geplaas word.

Dit sal die suurdeug wees wat nodig is om ook ander lande, waaronder Suid-Afrika, se ekonomiese koek te laat rys.

Dis een van die belangrikste waarnemings van drie van Suid-Afrika se grootkoppe in die wêreldfinansies, dr. Gerhard de Kock, dr. Joop de Loor, die aangewese nuwe Sekretaris van Finansies, en sy opvolger, dr. Pierre Groenewald. Min. Owen Horwood, dr. Bob de Jongh van die Reserwebank en mnr. Gerald Browne, uittredende Sekretaris van Finansies, het reeds hier aangekom vir die IMF-jaarvergadering wat môre begin.

Hier op die vooraand van die belangrike jaarvergadering het Sake-RAPPORT 'n eksklusiewe onderhoud met drs. De Kock, De Loor en Groenewald gehad. Hul boodskap is: In hierdie sake wat môre begin, is Suid-Afrika maar seker net 'n vlieg teen die muur. Maar daar is hoop en nuwe flinkdink voor die deur om die wa deur die drif te kry.

Goudprys

Elke dollar waarmee die goudprys nou styg, beteken ongeveer 23 miljoen dollar vir Suid-Afrika. Amerika se goudbesit teen die huidige

delik plek gemaak vir 'n groeiende vertroue dat dit steeds nog 'n belangrike monetêre rol in die toekoms sal speel.

Dit is seker maklik een van die heel grootste vrae wat oor die week se IMF-jaarvergadering hang: Wat gaan die olielande voorentoe met hul derduisende miljoene doen? Tot 'n paar jaar gelede was Suid-Afrika groot nuus en besondere belangstelling weens sy goud. Maar al die probleme van die verlede oor goud is as't ware van die tafel gevee.

Dramaties

Die verhoging van die

Social Anthropology 1977

UNIVERSITY OF CAPE TOWN

Course Organisation: The 4 weeks of this course can be classified under the three headings: (1) Approaches to socialization (2) Socialization and the life cycle and (3) Influences on socialization forms and content. The course will be presented in the main through seminar di scussions. Each student will be required to produce at least one 15-20 minute presentation as well as a long paper at the end of the course.

Cont. next page.

pryswaarde is van die orde van 40 000 miljoen dollar, of anders gestel, dertien jaar van Suid-Afrika se goudproduksie. Maar die olielande se oorskot op hul lopende rekening neem nou toe met 40 000 miljoen dollar per jaar.

Een van die oorheersende vrae wat gevra word, is wat gaan die olielande met al hierdie miljoene in hul skoot 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 basies naderhand 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.

25/09/77

Vrese

Gaan die olielande voortaan meer goud koop of is hulle al besig daarmee? In hoe 'n mate gaan hulle dit as 'n goeie toekomstige belegging beskou sonder om die mark tot hul eie nadeel om te krap as hul te veel begin koop en die prys dalk nog verder en verder te vinnig laat styg?

Suid-Afrika se vrese dat die pogings tot demonitisering goud van sy troon kan stoot, is nie 'n waarheid tot dusver nie en het gelei-

het alles dramaties verander. En daar is geen twyfel nie, daardie stap oorheers nog steeds die hele wêreld se geldsake. Dié week gaan dit weer oorheersend 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 wêreldprentjie.

Alle groot nywerheidslande sit met hul eie probleme. Die meer ontwikkelde primêre produserende lande soos Suid-Afrika, Australië, Nieu-Seeland, Spanje, Portugal, Turkye, 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 baie van daardie lande, veral met sy betalingsbalans en die gemiddelde inflasiekoers van die groep.

Fasette

Een groot hoofprobleem wat in verskeie fasette na vore gaan kom en telkens die week bespreek gaan word, is dat die nywerheidslande met enkele uitsonderinge, ernstige binnelandse probleme van 'n ekonomiese aard het. Dis nou weg van die politiek en mens praat van betalingsbalansprobleme en taai inflasiekoerse wat dit uiters moeilik maak vir hulle om enige ekspansionistiese beleid te volg.

Dit, op sy beurt, is die *sini qua non* van die minder ontwikkelende lande om op hul beurt verbetering in hul betalingsbalans en groeikoers te bring. Die onderontwikkelde lande kan nie lig aan die einde van die tonnel sien 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 sê hul kan nie meer koop soos hulle wil nie, want hulle het probleme tuis.

Oor hierdie kwessie gaan daar indringend gepraat word.

Min. Owen Horwoord sal na verwagting die jaarvergadering Dinsdagmiddag toespreek. Hy sal al hierdie wêreldstrominge deeglik behandel en dan 'n vertolking gee hoe dit Suid-Afrika raak.

TAKING STOCK

S. Tribune 30/10/77 (79)

GOLD IS ON THE MOVE AGAIN

MAC THAIN

IT IS just over a year since gold set off on its upward path from a trough of 103 dollars an ounce and it looks as if, after the breathing spell of a month or so, it is on the move again.

The nub of the matter is that though it is still argued — more mutedly in the past — by backroom pundits in Washington that reduction of its role as a store of value is being achieved, the opposite view prevails in the market places. By these I don't just mean the sanctums of bullion dealers but also virtually every place where gold jewellery is sold.

Over the past year or so projections of prospects for gold laid emphasis on the rising offtake of metal in this sphere.

Figures however, do not bring to life the explosion in jewellery outlets in the Eastern Mediterranean and Near East countries where gold shops abound, even villages boasting at least one.

In the course of a month's visit to this area after several years' interval, I was struck by the way that these had proliferated in the main shopping streets, quarters designed to catch the tourist trade and even the flea markets.

The driving force behind this is the renewed burgeoning of the distrust of ordinary men and women of managed money as a store of value.

We in this country grouse about the impact of inflation on prices.

Compared with Italy and Greece today, South Africans can consider themselves lucky. It is little wonder that surplus cash is put into something that is likely to appreciate or lose value at a lesser rate than that of money itself.

Talking to owners of gold shops — carriage trade and small operators in back streets — they all agree that the chances of a falling off in this year's gold rush were slight as they see the distrust of the monetary system growing and spreading.

The prime indicator of this, as one store owner pointed out, is that the number of gold shops in the big tourist centres is starting to catch up with the souvenir stalls — and are attracting more customers. They come from all parts of the world, in most cases with well-filled wallets of traveller's cheques, plus credit cards. Probably a lot of them are taken for a ride — for tourists are fair game anywhere in the world.— but there are knowledgeable ones as well and top class firms told me that the demand for high quality items has never been better.

The persistence of this attitude towards gold, which is not confined to these countries, suggests strongly that earlier fears that a gold price in excess of 160 dollars might encourage resales of jewellery, are unlikely to be fulfilled.

In consequence the offtake of metal by fabricators for this year will prove in excess of the estimates of even a couple of months ago.

The demand for Krugerrands in recent weeks has risen appreciably and could well remain at its higher levels in the face of the unhappiness over the world currency situation.

This, it is suggested, is being spurred in the United States by some investors taking the line that it is now better to have a direct stake in gold rather than through gold shares in the light of their vulnerability to South Africa's political troubles.

Taking these two factors into account, the surplus of metal available for investment buying in relation to earlier estimated supplies has shrunk and could do so even further.

It would seem to have been compensated to some extent by the sale of 1,5 million ounces by Portugal in the first eight months of this year which was absorbed without even being noted.

Against such a background some perennial prophets are suggesting that the bullion price is heading non-stop for the 200 dollar mark within months. They and speculators would like this but not many others — including the U.S. authorities.

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 spilt over into other sectors, notably platinums, 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.

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

Coals, coppers and tins were little changed because of neglect. Gefco and Msauli opened a little higher, then came off to close 5c and 2c off. Cons Murch's swift advance geared down and the rise was 5c.

Sallies jump 30c

Sallies was a feature in the Witwatersrand sector, jumping 30c to 147c. South Roodepoort put on 35c to 220c, WR Cons firmed 25c to 270c and ERPM advanced 40c to 475c. Ergo, which has been neglected, moved up 16c to 449c, the highest level since the launching 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 reverted to its pre-dividend level of 700c with a 20c gain. Doorns was in demand in the West Wit sector, putting 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 Freguls lost 25c after going ex-dividend.

Mining financials firmed almost across the board.

Anglo firmed 12c to 505c, Amgold rose 70c, Genmin advanced 150c, while Johnnies 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 Abercom, 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 150c. SA Brews firmed 4c to 117c, Grinaker remained on the uptrend with a 15c rise to 300c and Tiger, Hiveld, Edgars, Foschini, 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. — Reuter

GOLD AUCTION

(79)

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 *FM's* Washington Correspondent for the delay offer an interesting glimpse into just how complex the supposedly demonetised 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 Elysee can push ratification through the National Assembly and say the French the Americans can do as they like with their own gold.

Star 31/10/77 (79)

Outlook for bullion and golds bullish

Mac Thain

Optimism of prospects for gold is voiced by Lord Erroll of Hale 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 jewellery 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 emphasised 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.

GOLD

12/74 – 02/77

SUNDAY TIMES, December 1, 1974.

(83)

1/12/74

GOLD

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 have 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 7,5 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.

FM 3/1/75 (83)

GOLD

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.

Dr 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 undermining 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 that as much as $5 000m to $8 000m will flow into gold this year, although most are more cautious at around $2 000m.

At the moment, the market looks rather clumsily organised 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 unimaginative names such as Bars of Gold Inc. Certainly they are sailing in unchartered 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 just is 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 a 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.

T S.Times 16/2/75 83

GO, GOLD

General

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 summed up the outlook for the bullion price.

Speakers from Dr William Coetzer, chairman of General Mining, to New York gold bug Philip Herzig, 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 must 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, I 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 R165 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 listlessness:

● **America** — the potential of the now stillborn bullion market, withered by anti-gold propaganda and the January auction, was gravely over-estimated.

American dealers, overstocked and overcommitted to new supplies, have had to offload.

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

● **Dishoarding**—India and South-East Asia, traditionally the biggest hoarders, have turned sellers.

Timothy Green, author and consultant to Consolidated Goldfields, said the flow of melted-down jewellery into the Zurich market has shot up from 50 tons in 1973 to between 100 and 150 tons last year.

In 1970 India alone absorbed an estimated 500 tons of smuggled 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 dishoarded 240-tons of gold.

● **Decline in industrial offtake** — Peter Fells, of Consolidated Goldfields, said jewellers, the biggest users, consumed less than half the 505 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, although none of the experts was prepared to commit himself to time horisons or 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 857 tons by 1985.

Dr Coetzer'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.

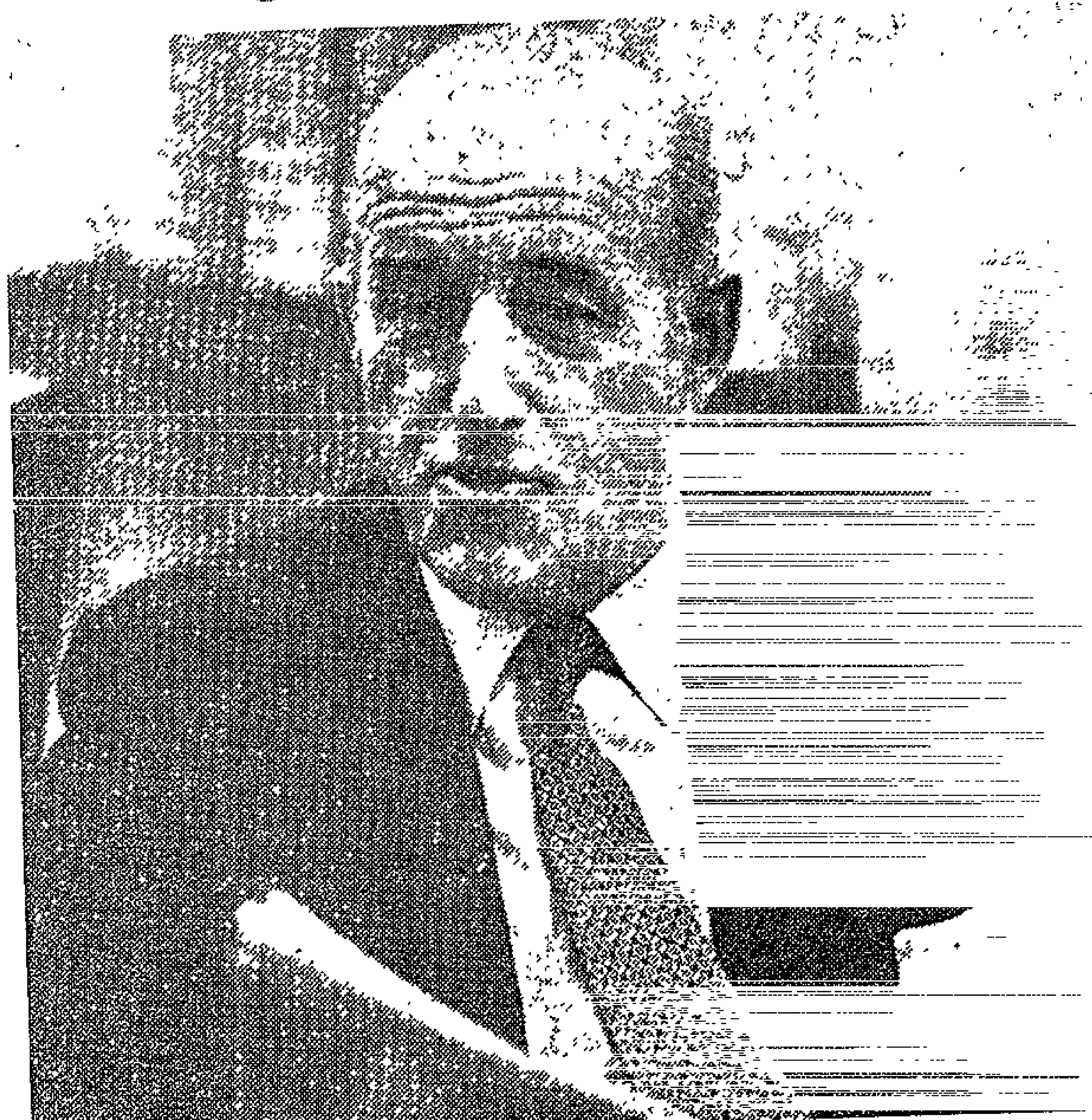
In America it is estimated that gold output may rise by 50 per cent. But this is not certain and, as Dr Coetzer said, would only add 1,5 per cent to world mine production.

The main unknown is Russia, where production has risen by a steady 6 per cent to 440 tons in 1974, according to David Dowie, consultant in economic geology.

Forecast output for 1975 is 440 tons and three big new mines—two capable of treating 15-million tons a year each — are being developed. 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 225 tons to 250

● Continued on Back Page



Walter Frey . . . Gold bull extraordinary

The gold miners

1974 estimated production	Metric tons	Value in millions of rands
South Africa	729	3 131
Soviet Union	371	1 593
Canada	53	228
United States	34	146
Central and South America	31	133
Ghana	25	107
New Guinea	18	77
Australia	17	73
Philippines	17	73
Rhodesia	15	64
Europe	14	60
Rest of the world	29	125

● **Value based on free market price of $179 an ounce.**

83

Gold goes to the sidelines

RDM 14/4/75

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 $186,25 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 40c. 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 80c 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 300, 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 staid discipline of a basic value."

Favourable

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

He thinks that the present decline is 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 broking 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

THE WEEK SHOOK (

THIS week saw gold take a battering — and survive — on the world's free markets under the triple blows of a stronger dollar, falling interest rates and sales from a European central bank. On Tuesday, gold cracked to a six-month trading low of $162-$163 an oz — down $10 from the previous Friday's close. But, by the end of this week, the London free market price had recovered to $170,25. BUSINESS TIMES men in the world's financial capitals tell why it happened.

By ADAM PAYNE
Mining Editor

FORCED gold sales by Portugal to correct its balance of payments problems are believed to be one of the main causes of this week's tumbling gold price.

Firmness of the US dollar has also helped the slide.

But Walter Frey, top Swiss gold-dealing and foreign exchange expert — who is general manager of Switzerland's biggest bank, Swiss Bank Corporation — told me this week that his confidence in a higher price for gold remained unshaken.

Mr Frey was commenting on the five days this week which threatened to make it a Black Week for Gold, but which, he believes can turn out to be the turning point in gold's movement towards higher levels in the second half of the year.

The gold mining quarterly reports sent a shudder through the share market because of the unexpected lower average price received and the reduced production caused by labour shortages on many mines.

But movements on the stock market, he said, could not be ascribed to these reports. Gold price movements, in London and Zurich swayed the market.

Mr Frey, who came to South Africa as the personal guest of Dr and Mrs Nico Diederichs for yesterday's State Presidential inauguration, had talks this week with the Reserve Bank.

In an exclusive interview, he said: "There has been heavy pressure on the gold market by sales from a minor central bank.

"I believe it is Portugal, although we cannot prove it. However, their reserves have fallen since the beginning of the year, which makes them suspect.

"The effect was to make investors fed up with gold. As a bank we bought a considerable amount of gold for clients, but buyers were discouraged from investing as long as there was this heavy selling.

"After the price touched $162 on Tuesday, the market recovered and now we must try to stabilise it.

"This should be possible because we have seen genuine buying and I hope we are on a base for a new upward trend.

"I do not expect a vigorous upward trend at present, but I look for it later — about September — when things could change either because of economic or political pressures, including new inflation in the United States and elsewhere."

He said President Ford's reflationary measures called for higher interest rates, which had encouraged investment in the dollar and caused it to strengthen to the detriment of gold.

"But the US has a deficit approaching $70-milliard and as a result of the reflationary measures we can expect another bout of inflation. Gold moves up with inflation.

"This could happen earlier or later than September."

Discussing the prospects of Arab buying of gold, Mr Frey said: "I think this is a thing for the future — but maybe it is not a long way off."

Mr Frey said the general demand for gold in the Zurich market had declined compared with 1974, but he considered this only a temporary decline.

"I expect the demand to be restored when real signs of inflation are again evident," he said.

"For every country the choice is either unemployment, recession or inflation, and for political reasons all countries would rather have inflation than unemployment. That is my thinking."

I asked: "In the short term, are you prepared to say that you see the gold price at least on a level between $160 and $170?"

Mr Frey: "I rather see it at $170 than $160 but it can easily go beyond $170 again.

"If we are able to stabilise the present market, there should not be any sales from world-wide investors. I do not see pressure from that side."

Mr Frey's disclosure that probably Portugal has been the off-loader of gold would fit in with Portugal's strength in gold holdings and its present financial weakness.

Partly because of the gold it has received from South Africa in deferred African wage payments, it has a gold store worth about R2 550-million at today's gold price.

It had a deficit of R480-million in 1974 and is facing a further deterioration in its finances, with Mozambique a continuing drain and troubles on the home front.

Only its large gold reserves can provide a lifeline to tide the country over its difficulties.

A South African gold and currency authority told me he considered the gold price of $200 an ounce at the end of last year to be too high for the circumstances at the time.

He said: "The Western world's deficit on oil payments was $32-milliard instead of the expected $45-milliard and therefore a price of $200 an ounce for gold was not justified.

"This year the deficit is expected to be $27-milliard. This is a tremendous sum to be accounted for and I see the strains imposed on international currency systems forcing the price of gold up as strongly as inflation does.

"I am confident that a price of $200 by the end of this year would be logical and justified. The dollar will be under pressure again."

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World gold price can only move upwards says Dr Jan Marais

Daily Disp 28/4/75

MR R. C. WILLIAMS

In this exclusive interview the Daily Dispatch Business Editor, Mr R. C. Williams, puts a series of questions to Dr Jan Marais, chief executive of The Trust Bank, who gives candid answers.

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 Trust Bank, economist, international financier diplomat and in fact, one of South Africa's best brains.

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

It was then that he revealed his international, national, regional and, yes, even (though slightly limited) local knowledge.

But gold is his pet subject (after the South Africa Foundation). "I have a vested interest, as I am on the board of General Mining, but we have done considerable research into the gold question, and have done very long range projections.

"Let me put it this way — while there is international inflation; while there is political unrest in various parts of the world; and until such time as a satisfactory substitute is found for gold, there will be an ever-increasing demand."

He expanded on this theme by quoting instances of how great was the desire of rich and poor alike to own a piece of gold. He then went on to explain how he thought South Africa should exploit its gold.

"We should really get down to marketing gold properly", he said. "We should have gold showcases at, for example, Jan Smuts Airport and Cape Town docks, where visitors can buy articles made of gold.

"I recall one overseas visitor who came to see me in my office in Cape Town. He was quite an influential person, but after our discussions 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 50 per cent more than he had paid for it.

"This is the market we can exploit — and we could also export it. We do 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 politically motivated selling by Russia — he thought carefully then answered :

"No doubt this will happen occasionally, but no country, however politically inspired, could afford to continues 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.

Knowing that, among many other places, he had visited Australia, I asked him if he felt the latest move by Mr Gough Whitlam's government to cut air links with South Africa would be followed by other, even more stringent actions, and if so whether they would have any great impact on South Africa.

"In Australia nearly everyone you speak to just cannot stand Mr Whitlam, but he is still in office. Who knows how long for? But he has his own, internal problems.

"For example, there are the aborigines, who have asked him for a South African system, whereby they will have their own 'homeland', but we do not hear him speak about that.

"Yes, I feel that if he stays in office long enough he will take a few measures that will affect our trade a little. But it must be remembered that Australia would be the losers, as they have a favourable balance of trade with us."

When I asked Dr Marais if he felt the efforts at detente were likely to have any effect upon our trading Links, he again used Australia as an example.

"How will Whitlam answer his critics if he cuts trading ties with us when it is shown that South African trade with the African states to the north is increasing rapidly?"

He said South Africa was playing a major role in the matter of detente, viz. Portugal and Mozambique; persuasion in Rhodesia; and a willingness to make changes in South West Africa — provided its inhabitants are allowed to decide their own future.

"But how long will just talk keep detente going? Will the time not come soon when it must be followed by action?" I asked.

"Yes" he replied, "and that is where the South Africa Foundation comes into the picture. We do not deal in politics, but in facts. We are trying to show people in this country as well as overseas the true picture — we want them to think; to see the future as it WILL be if they do not face facts and be prepared for change ... change that is inevitable . . . that must come soon.

"We cannot afford to wait for the next generation."

Dr Marais was emphatic that blacks must be trained and given more responsibility and greater earning power.

When I told him of the statement made recently by a Dr. Gouws at a Johannesburg seminar that employers should pay whites 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. If 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 longer 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 hp loans for new and second-hand cars, furniture and the like.

"Yes" he said, "more money is now available for short-term credit than a few months ago, and what is more, I am sure that the interest rates will drop a little. They will fluctuate, but the trend will be downward.

"For new and second-hand cars?" he said, Again, yes but with us — the Trust Bank — the deciding factor is merit, or credit worthiness.

"Of course, the condition of the vehicle must obviously be taken into account, but someone who is credit-worthy is not likely to buy something on which a loan could not be granted. It is all a matter of merit."

Decentralisation incentives was the next issue I brought up and, of course, I should have known, Dr Marais is also on the board of the Industrial Development Corporation, so again he could answer with authority.

"I have always believed in incentives rather than force" he said. "The incentives have worked very well in places like Brits, Roslyn, Ladysmith and Pietermaritzburg. We make a careful investigation into every application, and incentives are granted on merit — of course."

He said there were various problems to be faced by industrialists in decentralised areas, many of them expensive and most of them unnecessary. "We can only keep pressing for changes" he said, "and hope to get authorities to see things in their proper perspective".

That according to a report from Paris South Africans and Russians sit down together 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.

83

Gold price is too high, says Hillsam

Sun Times (Bus Times) 4/5/75

(83)

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 round the middle of 1976.

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 1976.

"But share prices could still go weaker in the short-term because the downswing 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 1975 was a rather dull period on the JSE.

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

Disappointing demand 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.

Sun Times (67)
18/5/75

Role of gold under fire

83

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 immobilised gold reserves of central banks.

"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 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.

BILLION-DOLLAR MYSTERY

(83) Sun Trib (F) 25/5/75

OIL SHEIK MAY BE BEHIND COOMING GOLD RUSH

By PETER MASON

A MYSTERY buyer with around a billion dollars to spend has emerged as a major force on the international gold market — and set the scene for a new round in the world gold price scramble.

This remarkable disclosure was made in Johannesburg this week by leading South African gold protagonist Alf Field, controversial investment manager of the Sage Holdings group.

His claim, backed by detailed analysis of international gold market figures over the past year, is based on estimates he has made for the supply and demand for gold on the world market during the first quarter of the year — estimates which point to an imbalance between likely supply and demand during this period of around 1 000 million dollars worth of the metal.

An imbalance of this magnitude, with the supply of gold on the free market outstripping demand by as much as 50 percent, would normally see a fairly dramatic drop in free market gold prices.

"But," says Mr Field, "this simply did not happen. The price of gold remained remarkably stable at around 170 dollars throughout the first quarter — a situation which clearly points to some new form of demand, a buyer with vast funds who wasn't there before and who obviously has tremendous confidence in gold."

So who is the mystery buyer? According to Mr Field, who has staked his not inconsiderable reputation on his faith in gold as the only real hedge against inflation, the only conclusions that can be drawn are:

- The buyer has vast funds, pointing strongly to the possibility that a Middle East central bank or an oil-rich sheik is behind the new buying move.
- The bulk of the buying is being done through Zurich.

This is borne out by the fact that while the gold price in New York fluctuated against the changing fortunes of the dollar early in the year, the price in Zurich remained relatively stable against a stronger Swiss franc.

He further supports this premise with the fact that when the Zurich market closed for a holiday on April 21, the London price dropped five dollars and picked up again with the re-opening of Zurich — indicating, he says, that the buying was in Zurich.

Cause

The buyer is someone who obviously has good cause to expect another sharp rise in the level of world inflation, possibly because he has inside knowledge such as an unannounced further increase in the price of oil, and is backing his bet by buying heavily into gold.

THERE'S ONLY ONE WAY FOR GOLD TO GO: UPWARDS

Financial Reporter

FROM now on the price of gold on the world's free markets — the offficial International Monetary Fund market is dead — can go in only one direction. Upwards.

The price has added close to 10 US dollars an ounce in the past week and is the result of two primary factors:

- Portugal which has been a seller from late last month has now run down its gold reserves to a point where it has been compelled to withdraw from the market.
- Interest rates in the US and Western Germany are dropping at a rate of 0,5 percent a week, on average, to make investment in gold more attractive than investment in currencies.

Cheaper money always drives speculators and investors into gold and indications are that the price will rise steadily, as predicted by **Tribune Finance** last week in the wake of the French and Swiss decisions to rejoin the European common money float as a means of devaluing their currencies. The super strong Swiss franc and the almost equally strong French franc are pricing those countries' products out of export markets.

Now that the Portugese sales of gold from official reserves have apparently stopped, South Africa can expect to reap a higher price for its weekly output and the gold premium payout is set to rise well above the estimated R130 million to be paid out later this month.

There is, however, another possibility. That South Africa has tied up a secret billion-dollar gold-for-oil deal with a Middle East producer.

"It may be just a coincidence," says Mr Field, "but it does seem ironical that the money involved is almost the exact equivalent of the additional cost of South Africa's oil imports this year compared with 1973."

IMF wants pressure put on gold

(83)

Sun Times (S.T.) 25/5/75

By LEWIS JAMES

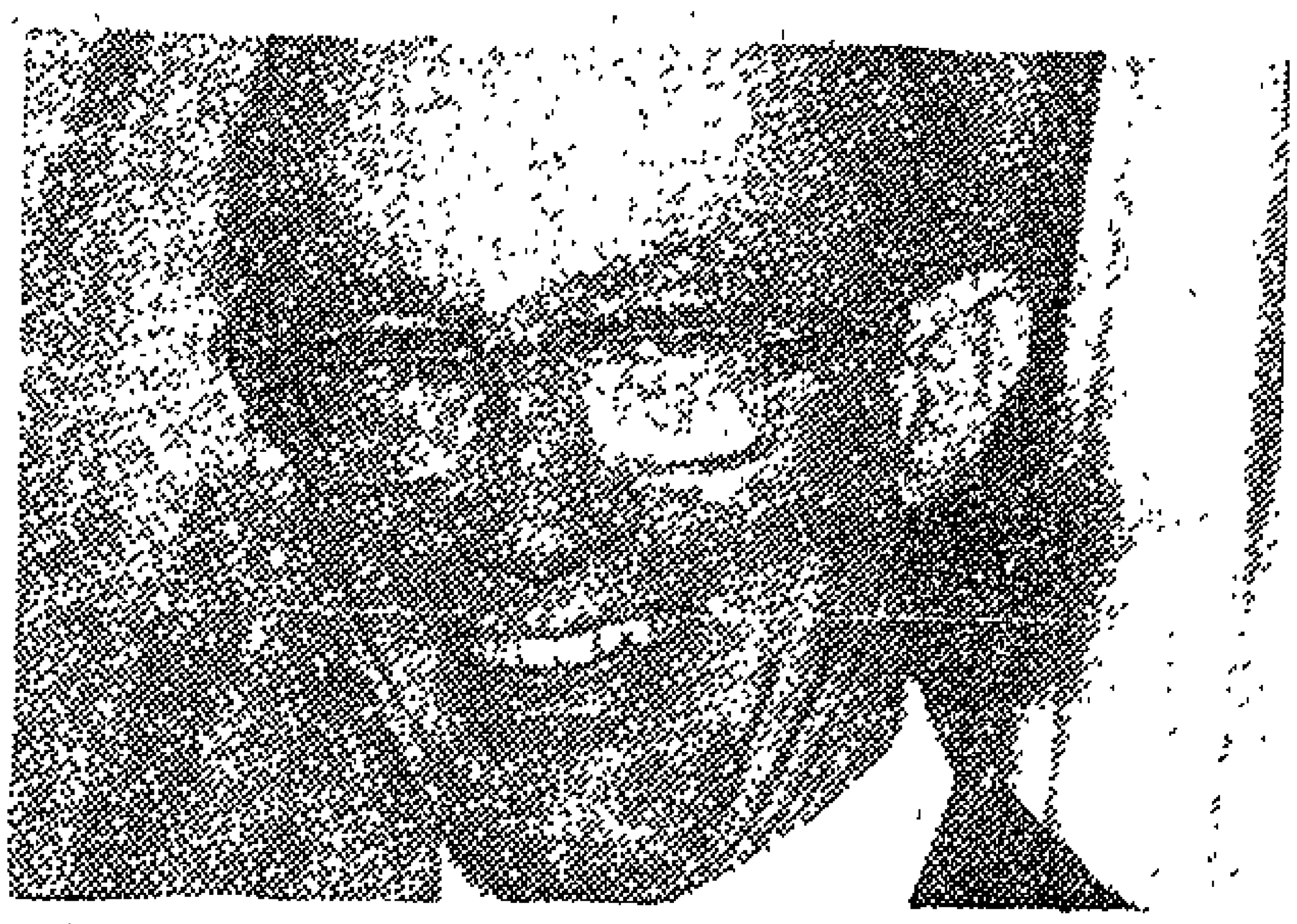
WASHINGTON. — Johannes Witteveen, director of the International Monetary Fund, says a reduction of gold's importance will be a key item on the agenda when the IMF's Committee on World Currency Problems meets in Paris next month.

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 communique 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 nearly two years ago.

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



Johannes Witteveen . . . Hurdles to clear.

In January the IMF's committee agreed in principle to boost the quotas each nation pays to the fund by R33,8-milliard 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 the oil exporting nations get to increase their quotas without 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 who it can ally itself with in debates. So the problem is, if we make the Arabs 10 per cent more important in the fund, who 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 20 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 80 per cent of the member nations voting. Even by abstaining, the American delegation can effectively block votes.

"What worries us in Europe is that the Americans may insist that it is we who must give way to the Arabs," an IMF governor from one of the Common Market nations told me privately.

"Perhaps that is inevitable. I do not know. But I do know that there will be a hell of a fight. We have Britain threatening to leave the Common Market, we have France trying to hold up the franc, and troubles in Italy and elsewhere. This may be the one issue that will get us all back together again, with a vengeance," he said.

But as the senior IMF staffer 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 you do about those who float and those who do not," the IMF source said.

"Then you have a basic question about the status of the IMF interim committee. Not all the delegates, primarily the developing nations, like the idea of a select group of powerful nations handing out decisions. The committee itself may not be made 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 some miracle happens and the committee in Paris clears all the hurdles. Let's say they do actually get to the question 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 one's reserves into the limbo of the IMF's vaults? I would guess that they will vote to let the full quota payments be made in each nation's currencies — that is, in the unlikely event that they get that far," the delegate said.

But wouldn't that harm gold's position as a medium of exchange?

"You cannot have everything. If we are to benefit from the high prices, we must expect some restriction on its exchange. And gold can only be helped if it continues to be held in a nation's central bank where it continues to be an official reserve."

And he stressed: "Don't worry, we have a long way to go before we face that question in reality."

another tilt at gold

RDM 2/6/75

(83)

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 of 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 gold reserves 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 mined 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 featured here, but so has straight 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

Mr Bennett said at the weekend that the decision for a second gold auction was made because of rising imports of gold from abroad, expecially 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 276-million oz of gold in United States Government stockpiles.

The Treasury last sold gold on January 6 — a week after it became legal for Americans to own gold for the first time since the great depression in the 1930s.

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.

SIZE

At the time, however, it was thought that South Africa's ambassador to the IMF and previous alternate director, Dr Robert Smit, 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.

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

Politics, of course, has

BIDS

At that time, the Treasury accepted bids for about 754 000 oz 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.

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.

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.

Kruger sales crash

R D M 13/6/75 (83)

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 Reuter 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 only 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'

Cape Times
4/6/75
(83)

—SLATER

By PENELOPE GRACIE

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 rands."

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 belives that the only way one can hedge against sterling is through gold and the alternatives are gold shares or coins.

With the dollar premium currently running at 109 percent, investing in gold shares is not attractive and the 54 percent premium on sovereigns makes sovereigns also not too appealing an investment.

PREMIUM

"Internal Kruger rands, while commanding a 20 percent premium, are still attractive," says Mr Slater "for the premium is still 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.

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SUNDAY TIMES, Business Times, June 8, 1975

US selling gol[d] bargain basen[ent]

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 its 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 lemmings 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 [...] covered from the oversupply position built up ahead of the relaxation of the laws on private hoarding."

Few people in the bullion market expect this auction and future auctions to have anything more than a "hiccup" effect on gold.

The long-term view is that the oil-producing countries, in particular, will increasingly seek to diversify their reserves, at present dominated by dollars and sterling — neither of which offers any real security against inflation.

A decision by the oil producers to hold only 20 per cent of the current year's surpluses of about R35-milliard in gold would produce a demand for nearly 1 700 tons of bullion.

Another view of the American auction programme is that it should be seen as effectively reopening the gold window which the United States shut in 1968.

By putting up gold for sale, the United States is redeeming dollars and at a price related to the free bullion level.

Hence, goes the argument, the auctions should be welcomed by the international community at present awash in unconvertible dollars.

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 [...]

[...] 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 re-

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 at the French was the additional comments of Mr Wolfe, a normally reticent civil servant.

The United States is now self-sufficient in gold, he 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 stockpile.

The first Treasury sale put 750 000 oz in private hands and the June offering will be for 500 000 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 May — running about one-fifth 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 hoard 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 delegates meeting in Paris 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.

Since 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.

GOLD'S ROLE 'INDISPENSABLE' — BANK HEAD

ARGUS 10/6/75

(83)

GOLD appears an indispensable part of any new international monetary system according to Mr Felix W. Schulthess, chairman of the Credit Suisse Bank.

Speaking at the third economic conference of the Conference Board in Geneva on 'A review of Economic and Monetary conditions in Europe,' he said it was vital to re-establish international monetary order as soon as possible.

This was necessary to curb the inflation which might occur if the economic upturn, expected at the end of this year or the beginning of next year, should happen in all major industrial countries almost simultaneously.

Mr Schulthess said that artificial monetary reserves such as balances with the International Monetary Fund or special drawing rights, although useful, were as inadequate as the dollar in achieving international monetary order.

He felt the dollar surplus in Europe was likely to continue for some time, which made it temporarily impracticable for European nations to align their currencies with the dollar.

Regarding the expected economic upturn, Mr Schulthess said attention should be paid now to forestalling future inflationary pressures.

In particular, he felt any increase in energy consumption resulting from livelier economic activity could be taken by the oil-producing nations as a signal to raise their oil prices again.

US keeps up the pressure on gold

Sun Times (Bus T.) 15/6/75

(83)

By JOHN CAVILL and GORDON KLING

AMERICA is expected to carry on with its psychological war on gold and delay attempts at international monetary reform until the dollar regains its strength.

This continuation of the war against gold is the main conclusion drawn in London from the failure of the International Monetary Fund's Committee of 20 Finance Ministers to reach agreement on reform measures after two days of talks in Paris this week.

But in Cape Town yesterday, the Minister of Finance, Senator Owen Horwood, reaffirmed his faith in gold.

"Gold can continue to make a valuable contribution to world financial stability," he said.

The reforms discussed in Paris included reallocation of IMF quotas (to take account of the increased economic strength of the oil-exporting countries) and the question of floating currencies — but gold was again the main stumbling block.

The American Treasury fired a warning shot by announcing its latest bullion auction a week before the Paris meeting.

This underlined the gap between the United States and France, which has revalued its gold reserves at $170 an oz and wants central banks to be able to buy as well as sell bullion.

The two countries seem to agree that gold and its official price of $42,20 should be written out of the IMF's rules and that the total amount of bullion held by central banks should not be increased.

However, the French want to be able to buy gold from other central banks. The fear is that poorer countries, such as Portugal, could upset reserve values if they are able to raise money on their gold holdings only by selling on the open market.

The French view on inter-central bank gold transactions is backed by other members of the Common Market after the precedent established last year when Italy put up its gold reserves as collateral for a loan from Germany at $120 an oz, 20 per cent below the free market price.

But the Americans remain obstinate and are trying to delay any monetary use of gold between countries by insisting that for the next two years this kind of use of bullion reserves can only be made if the selling country is in "extreme need".

This attitude may well have temporarily scotched a compromise plan put forward by IMF managing director Johannes Witteveen. Under it the IMF would return 10 to 15 per cent of its 150-million oz of gold to member countries and set aside another 15 per cent to subsidise aid to developing countries — presumably at values related to the free market price.

As the IMF gold is valued at the "official" price, it has no use as a means of increasing international liquidity to match the inflation that has taken place in world trade.

It is believed the Americans acknowledge the need to use some of the IMF's gold to help Third World countries.

It is expected that a compromise solution will be found — when it suits the Americans.

One international banker in London said: "We expect this will happen when the dollar has regained some of its strength, and hence attractiveness as a reserve currency.

"At present its weighted depreciation against the other main currencies is over 7 per cent and it is still under pressure. Any improvement must wait for the American economy to recover.

"This could take another 12 months, at which point the United States can negotiate for a monetary reform package from a position of strength."

Thus while the role of gold will again be discussed at the next Committee of 20 meeting in Washington at the end of August — just before the IMF's annual meeting — and in Jamaica next January, it could be a long time before the Americans are prepared to do a deal.

In the meantime, Washington's sniping at gold's protagonists via further auctions will probably continue.

Senator Horwood says the official Paris communique as well as the statements issued by some of the participants, reveal that there is still disagreement about some important issues.

The communique, for example, contains many phrases such as "an appropriate formula should be found", "there should be broad enabling powers", and "the executive directors should study this (or that) aspect" — all indications that little progress was made.

"From the international point of view, it is regrettable that after several years of discussions, there should still be no agreement on gold."

Points to be noted from the communique, he says, are:

FIRST, there has been no agreement regarding the sale on the private market of the gold held by the fund itself, though this is a possibility.

Such sales of gold by the fund would require an amendment of the articles of agreement of the fund.

SECOND, it appears that the US is trying to subject gold transactions by monetary authorities to all sorts of conditions.

A most revealing sentence in the communique says: "Some countries felt that this collaboration (ie collaboration between member countries and the fund to reduce the role of gold) should relate also to the reduction of the role of reserve currencies in the international monetary system.

The implication is that some countries did not feel that collaboration should extend to the reduction of the role of reserve currencies. Now, not only has the reduction of the role of reserve currencies been agreed upon in principle by the IMF, but reserve currencies have, for many years, injected great uncertainty and instability into the international monetary system.

"Whatever gold's imperfections as a monetary asset may be, there can be no doubt that the tremendous expansion of dollar holdings since 1970 has done more harm to international monetary stability than anything gold has done.

Yet now some countries ask members to collaborate with the fund in reducing the role of gold, but not that of reserve currencies.

"What these countries want is a return to an inconvertible dollar standard with all its danger.

"The world needs a strong dollar, but this is not the same as accepting the dollar as the basis of the international monetary system.

If gold is really so inferior as a monetary asset, surely it would find its own way out of the system. Monetary authorities would be only too glad to get rid of it, and it would be unnecessary to try to hedge gold transactions.

"The only conclusion is that those countries which seek to promote the dollar or even the SDR as the principal reserve asset fear the competition of gold because they are aware of the high regard in which gold is held by most central banks and by millions of people all over the world. This is why they seek to force gold out of the monetary system.

Senator Horwood says: "I do not think they will succeed. Whether they do or not, they will not harm gold. I am convinced it will be more sought after than ever as an element of stability in an unstable world.

"However, these countries may do harm to the international economic system. How much better it would have been if the committee, as we urged in a memorandum placed before it, had recognised that gold, because of its long tradition and universal acceptability, can continue to make a valuable contribution to world financial stability."

R150-m gold question mark

Sun Times (Bus Times) 29/6/75

By ADAM PAYNE
Mining Editor

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 R50-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, so increasing the attraction of mining for South African workers.

The recent steep increases in mine wages have resulted in a higher proportion — 33 per cent — 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 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 $20,67, $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 93 000 Mozambique workers on the mines, almost all of them working underground.

SA negotiating R81m deals with 8 Black states

STAR 4/7/75

(83)

CAPE TOWN — Contracts valued at R81m in eight African states are at present being negotiated by the Credit Guarantee Corporation of SA, the Deputy Secretary of Finance, Dr J H de Loor, announced here.

He told the International Association of Economics Commerce Students congress that the authorities intend to continue with the more sympathetic approach adopted by the SA exchange control in respect of investment by South Africans in Southern African 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 act as catalyst for the diverse efforts of individuals, state bodies and development banks to promote investment in its lesser developed areas.

Dr De Loor said once the official gold price is raised, SA will be prepared to participate in a scheme for part of the revaluation gains of gold-holding countries to be set aside for aid to developing countries.

Large regional schemes still under consideration include the Lesotho Malibamatsu water supply project and the Swaziland thermal power project.

Should these come to fruition, he added, they will involve these countries and South Africa in heavy capital expenditure, hopefully to be aided by foreign governmental and multinational funds.

Israel and South Africa are striving to develop extensive ventures in the areas of trade and industry, Israeli Finance Ministry advisory economic council member, Mr Meir Amit told the Congress.

He said the abundance of South Africa's natural resources and the technological and intellectual skills of Israel can contribute to making mutual assistance a distinct and attractive possibility.

He noted the geopolitical situation viewed from both the standpoint of geographic location and their position on the map of international forces incline them to hope positive interaction will eventuate.

Before there can be any possibility of an African Common Market or economic development based on interdependence, these countries must endorse and accept a new pattern of multinational co-operation, South Africa Foundation deputy president Mr Anson Lloyd said.

He told the students that because of its high level of development, SA is a key state. SA exports to African countries totalled R475m in 1974.

Mr Lloyd said in South Africa the first steps towards economic co-operation are seen in the provision for the purchase of 70 percent of the Cabora Bassa generating capacity.

He noted hydro-electric schemes alone would guarantee long-term industrial development throughout Southern Africa.

Gold not sold for oil

Cape Times 12/7/75

– 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 oil country to exchange gold for oil.

The Minister was speaking in London where he been meeting with top financiers and business men 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.

(83)

Sunday Times (Bus Times) 20/7/75

(83)

Rothschild keeps faith with bullion

LONDON. — Rothschild is keeping faith with gold.

This week preliminary figures from the R145-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 percent) 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 has 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 609 000 coins in March, dipped only slightly to 549 625 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 284 000 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.

The Argus Bureau 8/8/75

(83)

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 R580 000 (£372 000), up 700 percent from R70 000 (£45 000); pre-tax profits R211 000 (£135 000) up 297 percent from R53 000 (£34 000) 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 Salect, 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 Salect, 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.

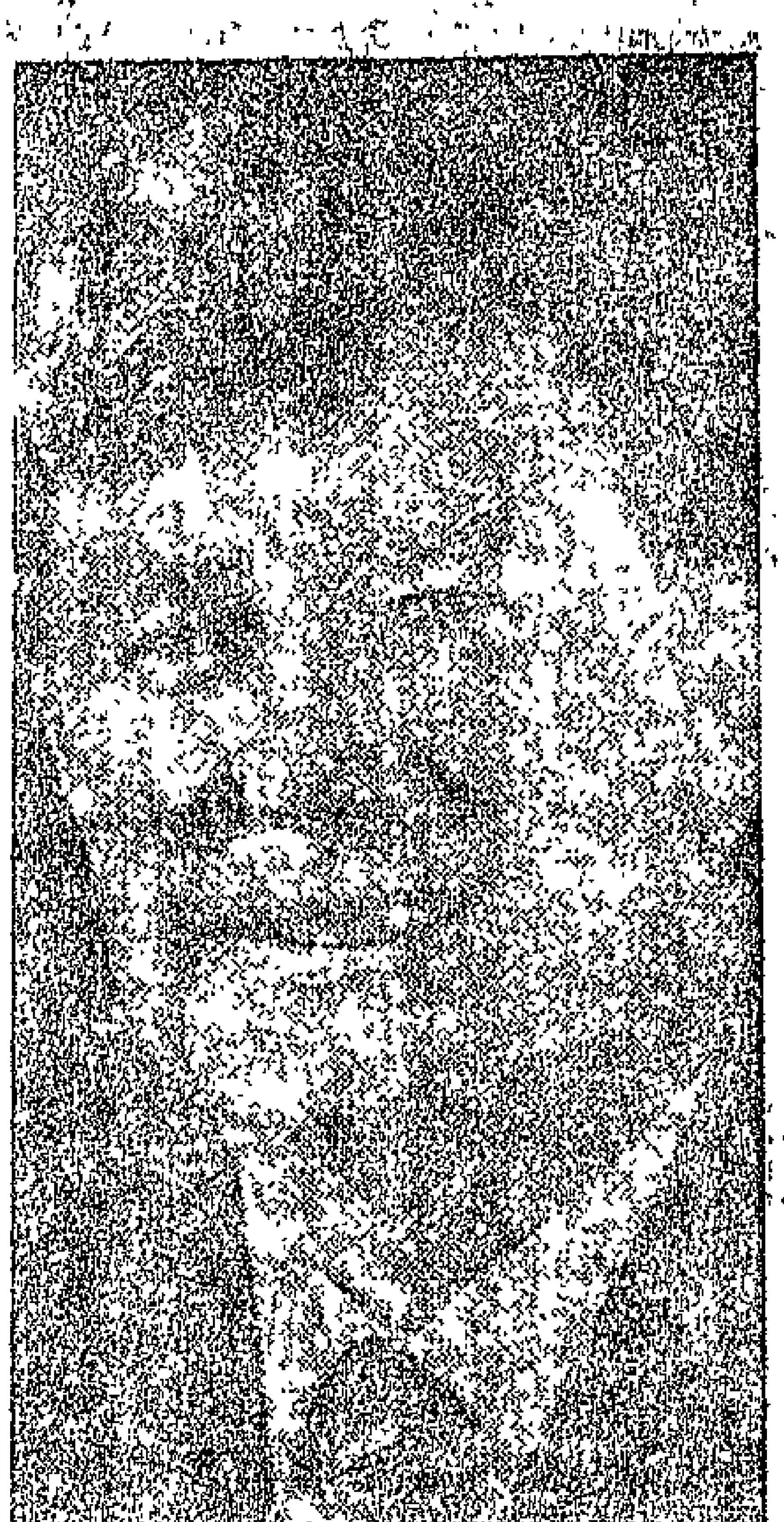
Grappling with an inflationary economy in difficult times

STAR 13/8/75

In the midst of a deep world recession, which is still encountering inflation, South Africa's economy continues to be strong.

But the country is not without problems. The most notable worry is an inflation rate of 14 percent, which is higher than most European countries and the United States.

South Africa's new Minister of Finance, SENATOR OWEN HORWOOD, entered office in an awkward period. Interviewed by Neil Behrmann at the Union Buildings in Pretoria, he answers questions frankly.



Question: How severe is the current recession in South Africa?

Answer: The real growth rate of South Africa is expected to be between three and four percent in 1975 compared with seven percent 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, Asians and Coloureds is 0,4 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.

During the past few years, Government spending and the money supply increased at a rapid rate. Since these trends are highly inflationary, what policy will be pursued in the next year or two?

Government spending has grown at a slightly higher rate than gross domestic product. It is incorrect to say that an increase in Government spending or the money supply is necessarily inflationary. It depends on whether the economy is running at full capacity or how the spending is financed.

The South African economy is now operating below full capacity, so neither Government spending nor the money supply are having an immediate, direct effect on inflation.

But I expect growth to accelerate shortly, so we will certainly have to see that neither Government spending nor the money supply rises rapidly during the next year or two.

What is the extent of public sector participation in the economy?

In 1974, consumption expenditure of the Government amounted to 12,6 percent of gross domestic product, and the gross domestic investment of public authorities to 8,4 percent.

In 1973 the public sector (central Government, provinces, South African Railways, etc) employed about 12 percent of the economically active population. Whites and Black...

...nomy and are contributing towards inflation. What steps is the Government planning to reconcile the needs of the producer with that of the consumer?

One of the functions of the agricultural 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 price index. The Government assists both producer and consumer by subsidising basic foodstuffs. The total amount budgetted for this purpose is R139m.

Will there be firmer action on inflation during the next 12 months?

There are 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 these measures.

Others include efforts to improve productivity and persuasion to restrain increases in prices and wages.

If the Government finds it difficult to combat inflation because of ... living — will be introduced in some form or other?

Indexing is only a palliative and does not go to the root of inflation. I would not like to see it introduced generally.

If a high inflation rate were to continue for some time, we might have to consider some limited form of indexing. But at this stage I would be very cautious in applying such a policy.

Could not the Government introduce savings schemes linked to a cost of living index? These bonds would offset the erosion of savings, especially for the "little man."

Cost of living bonds are constantly under review, but no decision has yet been taken.

Inflation also creates inequities in the tax system. More and more money flows to the Treasury 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

What are the prospects for gold?

The gold price has stood up very well in the face of Russian sales and the United States auction. Once the Russian sales are out of the way, I would expect the market to improve.

I doubt whether there will be any agreement on gold at the forthcoming IMF meetings; but I do not think that this will have an adverse effect.

What are the prospects for South Africa's balance of payments.

The situation should improve because of a decline in imports and an increase in exports as overseas economies recover next year.

An increase in the gold price is also likely to assist the balance of payments.

Has capital inflow to South Africa been retarded by current events in Southern Africa? If detente is a success how do you envisage a change to the situation?

Although there is much appreciation abroad for South Africa's policy of detente, current events 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

JSE CHIEF SAYS: WE'RE POISED FOR GROWTH IF

By Esmond Frank

SUN-TRIBUNE (FIN) 17/8/75

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.

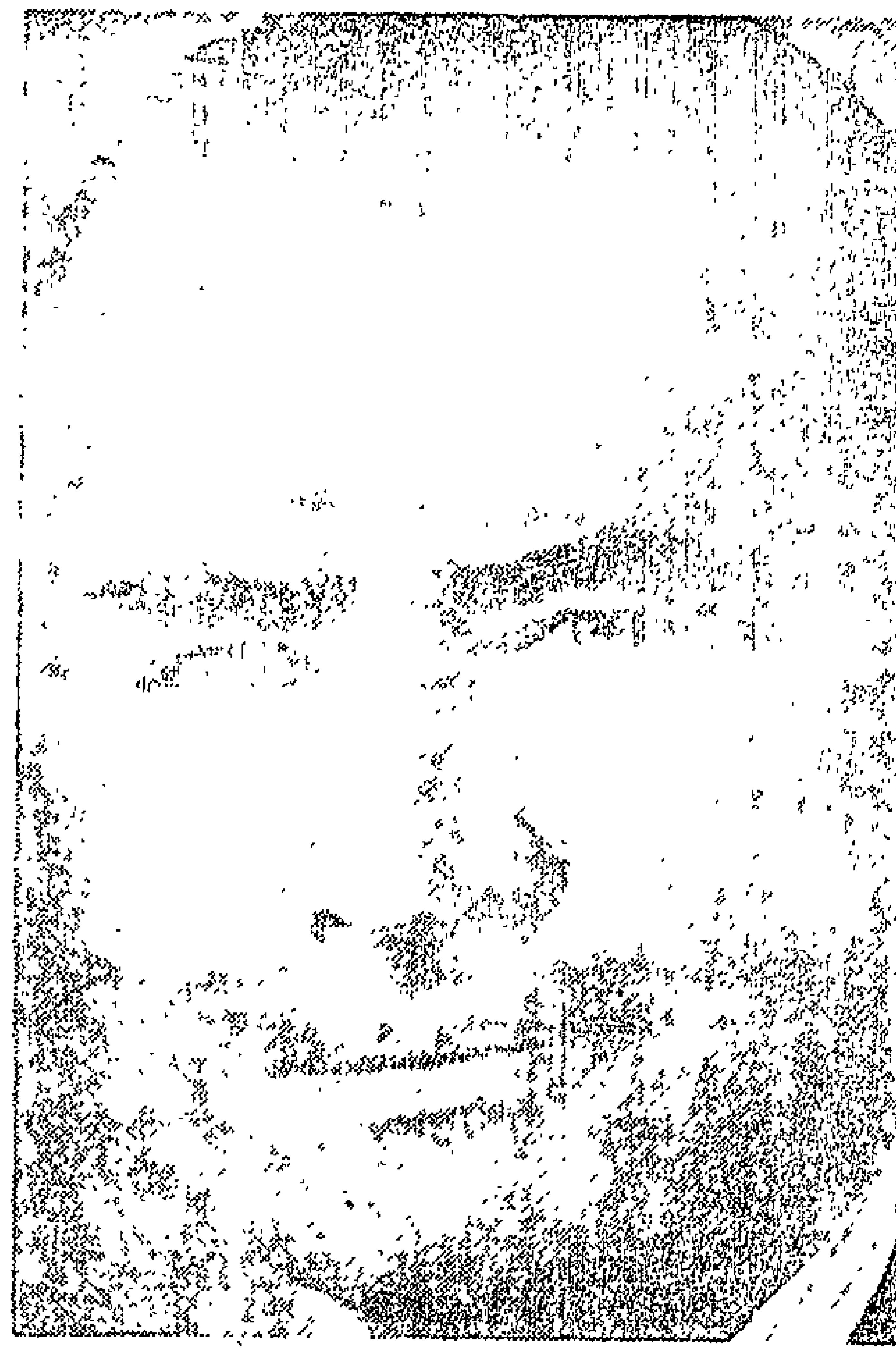
He said this week that the outcome of the Rhodesian talks, due to be held before the end of the month, could have a vital bearing on the prosperity of Southern Africa.

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 over-night 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 it had been decided in principle that blocked rands would be made directly transferable between non-residents.



And the big 'ifs' are gold and foreign cash

Blocked rands 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 rands can be transferred only by buying or selling South African gilt and gilt-edged 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 rand and its non-transferability, and other related problems, have resulted in a vast amount of foreign investment bypassing the Johannesburg Stock Exchange."

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

The Government had not allowed foreign investors to use blocked rands to take up rights of the recent Free State Saaiplaas and Deelkraal 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.

Important

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 waning 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 the faction fights, 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

ARGUS 20/8/75

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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.

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IMF MEETING F.M. 29/8/75

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 hand-out 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.

(83)

Experts foresee rally in gold

MERCURY 29/8/75

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 Schultz and the South African, Mr. Fred Macskill, also claims that gold has a way to go.

Gold lists all the bearish factors affecting the gold price — 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. Schultz and Macskill also believe that the bear position in shares is probably representative of a similar situation in the metal.

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

Brass

Brass: McKechnie Brothers South Africa (Pty) Ltd. Basis prices for 1 ton lots: Extruded brass rod R139 per 100kg; Extruded copper rod R158 per 100kg; Rolled brass R156 per 100kg; rolled ccpper R174,50 per 100kg.

(83)

Gold sags on two markets

STAR 1/9/75

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 25-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 160-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 apiece.

F. M. 5/9/75 (83)

EE GOLD
wo-year probation

precise significance of the main IMF decision this week on gold is not easy to assess.

Finance Minister Owen Horwood welcomed it unreservedly as an important 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 overhanging 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.

(83)

'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 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".

Backing him up, South Africa's chief IMF representative, Mr Robert van S Smith, argued that in fact gold had been revalued and remobilized 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

STAR 15/9/75

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

Dispatch 18/9/75

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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 demonetisation 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 (R8 000 million) using the "official price" of $42,22 (R29,60) 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 handily.

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 Japenese, 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 demonetisation, raising fears that large quantities of the metal might be dumped on the private market.

By the weekend the market was realising 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 $35 (R24,50) an ounce but are now indirectly convertible at about $150-$160 (R105-R112)

In a word, the Arabs have been had. — OFNS.

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Gold is losing its glister for many

Natal Mercury 20/9/75.

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.

"One source sells, 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 134 dollars an ounce, down six dollars from Thursday's closing, to a 19-month low, reports Sapa-Reuter.

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 3,55 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.

The Mercury's correspondent reports that Mr. Haak, who is president of the Afrikaanse Handelsinstituut, told the Welkom Afrikaanse Sakekamer that this would hoist the total value of exchange reserves from R900 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, to 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 25 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 42,22 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 gol l.

(83)

Gold price—panic takes its toll

Mining Editor

RDM 20/9/75

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 $26,40 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 $25 fall, for example, means South Africa will earn around R806-million a year less from current mine output than when the price stood at $160 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.

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SUNDAY TIMES, Business Times, September 28, 1975

(1) 2/0
(2) 83

It's not all that ba says Anglo's gold

By ADAM PAYNE
Mining Editor

WHEN the gold price was at its lowest this week — $128,75 an oz — Dennis Etheredge, head of Anglo American Corporation's gold division and chairman of several mines in the Transvaal and Free State, sounded a steadying and reassuring note to those who view the situation with gloom and concern.

He expressed his firm belief that there will be a turn-round in the gold price and said he believed:

• The 800 t of IMF gold which it is proposed should be sold to aid developing countries is unlikely to be placed on the free market. It is more likely to be absorbed in private transactions.

• The gold price has dropped not on heavy selling and large volume but on a lack of buyers, with speculators and investors waiting for the market to show it has bottomed out before returning to it.

• He does not see the market climbing as fast as it has fallen but he is satisfied that it will rise again.

Fluctuations

In a question and answer interview, Mr Etheredge said:

Q. Do you expect violent fluctuations in the gold price or do you see it stabilising?

People who have been dealing in other metals are accustomed to fluctuations. For the gold mining industry these fluctuations are a new experience. We have only three and a half years experience in this game and it is only the second time we have had a really rapid fall in the price.

In June, on a tour of Europe, Japan and Australia I saw the main dealers in the gold world and none of them forecast a floor price below $160. Even they, as people closest to the market, have been proved wrong, which shows how hard it is to forecast the price of a metal which is both a commodity and a currency as to make funds available to underdeveloped countries. The lower the price, the less funds there will be.

Do you think the Americans are really concerned about the underdeveloped countries? Are they not more concerned with demonetising gold and establishing the ascendancy of the dollar and SDRs?

Their Congress would not provide enough aid. This is a way round that problem, whereby the aid is provided through the disposal of the gold. The one-sixth of the IMF's funds which is to be sold has dropped its value by one-fifth and that could hardly be welcomed by the IMF and the underdeveloped countries.

The one-sixth is only 2 per cent of world gold stocks held by the central banks and the IMF — is such a low percentage significant when sold on the market?

Not the case

Two per cent sound insignificant but implies that all world gold is marketable. This is not the case. It is equivalent to one year of South African production — 800 t — which is a great deal of gold and at the right price it will provide tremendous aid for the developing countries.

It does not seem to me that America — and certainly not France and other countries which have extensive gold reserves would want a lower price than that ruling when the IMF plan was put forward.

Why has the price been falling?

In my view it can be ascribed to fears by ordinary investors and institutions. They are worried by the "overhang" of possible IMF sales and have misread the situation by not understanding that this gold cannot be sold for at least 18 months.

Problem

The IMF plan does not get ratified until January and this ratification depends on a much more difficult problem — floating or fixed exchange rates. Member states have to approve the plan and then the IMF articles will have to be amended.

This will be a complex procedure. Only after all

Dennis Etheredge

bottom has been reached and the market has turned there will be buying.

At the moment the situation is too fluid to forecast the price.

The unsettling effects of the IMF plan have coincided with a strengthening of the dollar and the possibility that in the short-term inflation is under control in the Western world.

Therefore people who are holding gold with marginal profits are likely to take the view that it is worth selling, to go into dollars or other currencies with chances of returning to gold later.

Fixed

Is there any real justification for believing that the gold price must go up again?

I think there is. The fact that it stood for 34 years at a fixed price while other commodities moved up in real terms leads us to believe that gold is now underpriced.

On the bullion markets, however, in the absence of buyers it does not need a great deal of gold to be offered for sale to push the price down. It does not mean that gold is flooding on to the market.

Our opinion is that there is marginal disinvestment and speculative selling, with few buyers. As a result the price has fallen. There has not been a heavy volume of sales.

State aid

In view of the low gold price, even after devaluation, the marginal mines will find it difficult to make profits as costs increase. Do you approve of State aid being continued?

I favour the continuance

If a mine has only about two years of ore left, it is doubtful whether it would be worth assisting. If it has reserves of, say, 10 years of ore at a higher price, then it should be assisted over a period of unprofitability.

The Government's devaluation of the rand was carried out to arrest the run on the rand to assist the gold mining industry after the gold price slump — presumably you favour the action?

In the short term the devaluation is of critical importance. In the end the inflation flowing from devaluation will be hard on the mines as well as on industries and the man-in-the-street.

We shall get the early benefits of devaluation but then inflation will catch up, and the long-term effects of devaluation are usually harmful.

Costs

Anglo American recently announced it would spend above R490-million in the gold sector over five years. How will devaluation affect capital and working costs?

Working cost will be hit less than capital costs because they are heavily dependent on labour and a great proportion of the stores are made in South Africa. The import content in working costs is not great.

The import content bears much more heavily on capital expenditure, because the mines are continually importing machinery and equipment from abroad.

Our management and technical staffs are looking at every item of capital expenditure to see what should continue, what should be cut out and where work should go ahead more slowly.

This is a big exercise with a long process of scrutiny of various programmes. It will take time before decisions are made on various projects.

The net result is likely to be that we shall trim the capital expenditure programme.

Red gold sales:

Reserves jump to 18-month high

RDM 2/10/75

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Mining Editor

THE RESERVE Bank's gold and other foreign reserves for the week ended September 26 jumped by R147-million to R916 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 was probably taken in currencies and SDRs, was worth around R92-million.

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

The surprising feature is the modest R1 291 110 rise in gold holdings to R530 563 143. This retention level of around 1,35 of gold represents only about 8,8 per cent of current output.

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

Reuter 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 R346-million in the first quarter and a deficit of R103-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 R1 901-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 R615-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 436-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 583-million annualised on second quarter figures.

Net short-term private capital inflow declined to R28-million in second quarter from R223-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 R39-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'

Star 11/10/75 (83)

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

Urging 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.

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DR A J NORVAL, who wrote this article, was chairman of the Board of Trade and Industries for 18 years and in his 25 years with the board served under seven South African governments and five prime ministers.

Star 27/10/75.

The declining role of gold

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 rôle it has played in the last 50 years.

Until the outbreak of World War 1 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 1 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. South Africa, with disastrous results, clung 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 it 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:

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

The main channel for the application of Monetary Policy is the national budget, and the areas covered by the policy since World War 2 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 uses 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.

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Do not write in this margin

Do not write in this margin

Gold will have a more important role to play

RDM. 5/11/75.

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.

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SA's gold marketing system

STAR 21/11/75

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.

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.

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 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 succeeding month.

The period in which the premium for distribution accrues is from the second last Friday in one month to the second last 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 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 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 uses, inclu-related 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 markets.

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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Gold price of 1 000 dollars predicted

D.D. 26/11/75

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, 1976, 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.

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Gold price in plunge to $126

20/1/76.

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 175,25 dollars an ounce and a peak of nearly 200 dollars at the tail end of 197.

It was not only in London that the gold price was on a sharp skid today. It was also on the slide in Zurich, where South Africa sells the bulk of its output. Here it fell from almost 129 dollars last night to 126,50 dollars at early afternoon on a downward path.

The main reason behind the steady decline of the gold price over the last several days has been confirmation that the International Monetary Fund plans to sell about 25-million ounces from its gold stockpile over the next four years to use the profits to aid the poorer nations.

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Gold price decline is 'temporary'

STAR 21/1/76.

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."

He is remaining confident, however, that the South African economy will continue to show growth this year.

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 naturally adapted their gold-selling policy to conditions, but it was not the Government's general strategy to try to influence longer-term trends by varying the quantity of gold.

The Progressive Reform Party's finance spokesman, Mr Harry Schwarz, MP, said the lower gold price had seriously implications for this year's Budget.

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Hansard no 1

Gold prices

91. Mr G H WADDELL 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

Hansard 3
Col 188
11/2/76

Kruger rands

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265. Mr. T. ARONSON asked ~~the Minis-~~ ter of Finance:

(1) (a) What was the total number of Kruger rands supplied by the South African Mint in 1975 and (b) how many of these were sold (i) overseas and (ii) in South Africa,

(2) (a) what was the total income from the sale of Kruger rands (i) overseas and (ii) in South Africa and (b) what was the average price obtained in each case during that year;

(3) what is the estimated total number of Kruger rands to be manufactured by the Mint in 1976,

(4) whether he will consider increasing the number of Kruger rands available for sale in South Africa.

The MINISTER OF FINANCE:

(1) (a) 5 580 764

(b) (i) 4 700 000.

(ii) 103 925

(2) (a) (i) R579 184 000.

(ii) R12 666 000.

(b) R123.23 and R121.88.

(3) It depends on the demand on the world market

(4) No.

S Tri

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 world-wide 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 Nico Diederichs, Minister of Finance Senator Owen Horwood, Mr Don McKay-Coghill, manager of Intergold, 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 Intergold, 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 devolves 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 being 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 a pretty gloomy one."

Gold set to stabilise

RDM. 9/3/76.

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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 1975 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 exchanges 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 775 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 affect.

"Central banks would probably have to value their gold holdings at market prices. The real value, however, of 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

18/3/76. NM

Mercury Correspondent

PRETORIA — South Africa's gold and foreign reserves were boosted by R333,4 million to R1 199,8 million during the week ended March 12, mainly because of a gold swop agreement.

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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 agreements 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.

HOLDINGS

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 old statutory price of R29,55 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.

Kruger Millions

S.A. GOLD COIN EXCHANGE LTD.
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ROGGEBAAI
8012 CAPE TOWN

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Labour & ... ch Unit
School of ...s, U.C.T.

VOL 3 — NO 3

MARCH 1976

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 had 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-debacle 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 towards 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 "should this prove appropriate as a means to retain orderly market conditions".

COMMENT

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 demonetise 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 2600 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 collegue 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.

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SUPPLEMENT TO I/C No. 14 OF 7-4-76

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-Azis Al-Ahdab 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 over 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 are the absence of taxation 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 accomodation 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 Dubaini 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

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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.

Bretton Woods.

The IMF was created to put into action and police the Bretton 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 manouveres 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-currency convertibility system. They point out that the BIS's job is not only to facilitate the purchase of gold by central banks, but also to do it without disrupting the bullion price too much or accepting offers which would overvalue or undervalue a particular currency against gold.

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 rethink 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 to 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 revived 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 Assessed

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 decidedly 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

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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 prior to the downturn in gold prices last year derived about 55 percent of its earnings from gold, has encountered no shortage of credit lines to finance continued gold operations.

The company has arranged a special facility with authorised local commercial banks whereby it can roll over a 360 day credit at five percent for successive 180 day periods if the price of gold on each due date is below the level at the time the credit was originally extended.

The actual size of the credit remains unknown, but so far, there has been no evidence that Benguet has scaled down its gold mining operations or shifted resources to its copper mining or other activities, despite the recent improvement in copper prices.

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 150 000 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 Zambales 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 pct 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 1,07 metres to 17,34 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 Baguet-Itogon claim, contains, according to Mines Bureau estimates, 965 000 tonnes of mineable ore on only one level with an average grade of 8,25 grams of gold per tonne. But the company hopes that on a conservative projection of 10 working levels, the recoverable ore could be 10 times as high, bearing in mind that Benguet Consolidated's adjacent properties are already working on 30 levels.

SOUTH 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 etcetra. 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 - a scheme to help gold mines meet capital and 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 taxes 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 in 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 percent 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.

Backing 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 percent or R201 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 R400 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 56 338 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 Chervonetz on the world gold coin markets!*)

Krugerround-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 of 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 Narodney 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-lipped banking procedures and the bigger 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 — ctd. from p1

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 transfereable, 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 99.0 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 $130 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 per cent 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

Coin Corner

The Sovereign

The British Sovereign is probably the best known gold coin in the world.

...h the world was on the ...standard, (the good old ...e sovereign, weighing ...ties and containing ...es of fine gold was ...und sterling, or ... of R2-00.

... first minted ...7, when just ...oins were ... over 900 ...ins have ...e Royal ... world.

... U.K.), ... Perth ...dia), ...awa ...ion ...in ...id

Overseas premiums, as mentioned above, vary between 36 ...nd 42 percent whilst the ...remium on Krugerrands varies ...tween 3 and 8,5 percent ...rrent local premiums on ...ereigns and Krugers are 74 ... 25 percent respectively.

... the explanation that the ...igns are old entirely the ... - Queen Elizabeth II ...ens first minted in ...intage in excess of 22 ...etch premiums of 46 ...n Switzerland, 55 ... Paris, 47 percent in ...d 50 percent in ... 10 to 13 percent ...istorical counter-

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 R32-50. A high point was reached towards the end of 1974, when gold was reaching for the $200,00 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 4¼ sovereigns contain one troy ounce of gold, so the premium above gold price can easily be determined by comparing the value of 4¼ 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.

Rare Mintages.

Note that the prices are for common and run-of-the-mill dates in average condition. There are of course rare dates and proof coins which are worth hundreds or even thousands of Rand each.

In particular, the South African 1923 proof and 1924 sovereign, the various proof and early British, and many of the Canadian sovereigns as well as some of Australia's are in this category.

Forgeries.

Next comes the problem of forgeries of the sovereign. Initially these coins were struck from original or officially recut dies and were made openly by Continental and Indian Mints. They were not intended to deceive but were made to cater for the gold bullion trade, a coin being more convenient and often more legal than a bar or block of gold.

The appearance, size and weight of such a coin being correct, people were more sure that they were getting the correct caratage and value than even with a bar bearing a well-respected refinery's mark.

So far so good. However, when the value of the coin started to exceed its intrinsic value, forgeries were made with the intention to deceive. Forgeries of the new Queen Elizabeth II coin were quick to appear, as these commanded higher premiums than the others, but there are of course known forgeries of all the sovereigns of the various monarchs. *It is estimated that approximately 40 percent of all sovereigns in circulation are forgeries.*

Some of these forgeries were at first rather rough and easily detectable, but according to an authoriative a source in Beirut, the expertise is man at a high level, and the forgeries 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 pay 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 designs.

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.

Coin Corner

The Sovereign

The British Sovereign is probably the best known gold coin in the world.

When the world 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 R2-00.

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 (SA) and Ottawa (Canada). About 83 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 $2\frac{1}{2}$c per coin purchased, thus the first signs of a premium over the bullion value had appeared, albeit only $1\frac{1}{4}$ 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 R32-50. A high point was reached towards the end of 1974, when gold was reaching for the $200,00 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 $4\frac{1}{4}$ sovereigns contain one troy ounce of gold, so the premium above gold price can easily be determined by comparing the value of $4\frac{1}{4}$ 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.

Nor 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.

Rare Mintages.

Note that the prices are for common and run-of-the-mill dates in average condition. There are of course rare dates and proof coins which are worth hundreds or even thousands of Rand each.

In particular, the South African 1923 proof and 1924 sovereign, the various proof and early British, and many of the Canadian sovereigns as well as some of Australia's are in this category.

Forgeries.

Next comes the problem of forgeries of the sovereign. Initially these coins were struck from original or officially recut dies and were made openly by Continental and Indian Mints. They were not intended to deceive but were made to cater for the gold bullion trade, a coin being more convenient and often more legal than a bar or block of gold.

The appearance, size and weight of such a coin being correct, people were more sure that they were getting the correct caratage and value than even with a bar bearing a well-respected refinery's mark.

So far so good. However, when the value of the coin started to exceed its intrinsic value, forgeries were made with the intention to deceive. Forgeries of the new Queen Elizabeth II coin were quick to appear, as these commanded higher premiums than the others, but there are of course known forgeries of all the sovereigns of the various monarchs. *It is estimated that approximately 40 percent of all sovereigns in circulation are forgeries.*

Some of these forgeries were at first rather rough and easily detectable, but according to an authoriative a source in Beirut, the expertise is man at a high level, and the forgeries 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 pay 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.

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Eli Levine.

Share Page

Investors Unload Gold Shares

Investors, nerves already severely strained by events in Angola, and uncertainties in Southern Africa, started heavy unloading of South African gold shares over the past few weeks. Thus for the first time in many months gold shares have broken from their faithful shadowing of the gold price - which, in fact, has shown a very steady trend in the last month.

Heavy selling of gold shares, and with it heavy price falls, has been seen in the markets of London and New York. In Johannesburg the selling pressure has been only moderate as presumably it is mainly overseas residents who have lost faith in their holdings. This is reflected in a narrowing of the price differential between London (which includes the investment dollar premium) and Johannesburg, and in Hollard Street gold shares are all being quoted at higher prices than those of Wall Street.

Ironically enough, the very confidence crisis as a whole, may in the long run provide a prop for gold share prices. This is because as investors' minds get around to thinking towards the ultimate possible outcome in SA, they begin to see that, working on their analogy, gold output may be restricted thus forcing up the bullion price which in turn could help South African producers.

Dividends

Another, factor pushing gold shares downward is the near certainty dividends are in for a pruning this year. The first chopping of dividends is likely to be those of the Anglo American Corp group's Free State mines and those of the Evander producers of the Union Corp group which are due to be announced shortly. All these mines, particularly the AAC Free Staters, have been labouring under severe cost increases and on average much lower gold price than last year and thus none of the dividends soon to appear are likely to match the previous year's payout.

Harvey Lawrence

The following prices were ruling on major world stock markets.
(middle prices quoted in US dollars as on March 8)

	New York	London	Johannesburg
Golds			
Blyvoors	$5\frac{7}{8}$	8.6	8.3
Buffels	$12\frac{1}{4}$	8.4	13
Elsburg	$1\frac{7}{8}$	2.58	2.6
Pres Brand	14	27.6	27.0
Vaal Reefs	$20\frac{5}{8}$	30.1	28.2
Western Holdings	30	44.3	43.0
Financials			
Amgold	$27\frac{3}{8}$	41.1	39.4
Anglos	$3\frac{1}{2}$	5.5	4.9
Gold Fields SA	22	66.9	30.5
Union Corp	$3\frac{3}{4}$	5.3	5.3

Note: London prices include investment dollar premium

Bahrein Cont.

reserve currencies, especially the dollar and sterling in which these countries received payments for their oil exports.

However, some observers feel Middle East countries could change their policy in the near future and begin to build up the gold component in 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 prices to attempt to increase revenue. Therefore 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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SUPPLEMENT TO I/C No. 14 OF 7-4-76

Guest View

The author is at present an Executive Director of Union Corporation and Chairman of several gold mines within the Union Corporation Group He studied at the University of The Witwatersrand and obtained the following degrees B Sc (Engr) (Mining) M I M M , FSA Inst M M

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 occured in September 1975, following the proposal of the International Monetary Fund to sell 780 tons or a sixth of its gold holding 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 holding 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 its 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 offtake 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 an 11 percent value added tax by the West German authorities. A growing American market could, however, compensate for any loss of sales in Europe.

In the immediate future it is unlikely that there will be any material increase in the price of gold. However, in the long term, I believe that the gold price will continue to increase reflecting the depreciation in the purchasing power of paper currencies.

L.W.P. van den Bosch

This article is a verbatum quotation of a part of The Grootvlei Prop Mines Ltd 1975 annual report The portion quoted is contained in the Chairmans statment under the heading Gold Market The annual report was published on March 15th 1976

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 apparently the brightest feature of the gold mining industry at present.

Harvey Lawrence

Too much Horwood pessimism on gold?

25/4/76.

(83)

S TIMES

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 and a 10 per cent loan levy on basic taxes, 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 1975/76 would be about R621-million and he budgeted for this figure to decline during 1976/77 to R350-million. On the other hand, he estimated company tax for 1975/76 at R1 382-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-imposts.

Whether the Minister intends to do his arithmetic again to include the gold mines under the new tax umbrella, or whether the situation is that no additional taxes will be imposed on the gold mines, the Minister must make a statement clarifying the situation.

While on the subject of the Minister's calculations, it must be pointed out that he estimated that gold mines tax revenues on the old tax base would decline from R621-million to R350-million in 1976/77. Yet the average gold price received last year by the mines was about R111 an ounce. At the present rates of exchange, $130 equals R113,04.

Projections

Consequently, with the gold price in the $130-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, Gumbar 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.

Many of their valuations

The inflation rate is assumed to ebb and flow over the next 35 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

---

term investor, to participate in the equity market at the moment.

Partly on yield considerations, but also because growth will re-emerge although the market may stay relatively depressed or even decline. If you are going to look for a growth, you must eventually look to the equity market.

In terms of long term interest rates, although I see a plateau for a while, I still think that there are attractive investments to be made there as well, because ultimately long term rates must decline and give you profits.

Business Times: This is probably a very simplistic view. But normally when short term rates decline are not those investors who have been keeping their funds particularly short encouraged to go into longer term stock and thereby collectively bring down the long term rates?

McCauley: That is the classical theory. But when there is tremendous uncertainty, the investor is discouraged from taking a long term view, and he is prepared to sacrifice return in order to stay flexible. But normally I

tremely high interest rates when things are difficult. But just recently it was more specifically those banks that were more heavily involved in foreign trade.

Colquhoun: I wonder, can I revert back, because I think there is an overall depressive psychosis

That said we therefore have probably a more stable market or we should have in the future because we are left to our own resources now to make a market.

I think there can be little doubt that there have been many institutions on the side

marketability, lack of flexibility, lack of divisibility.

Business Times: Is that important to a large institution which is investing long term?

Colquhoun: Yes. It is important if one is going to realise one's investment objective by taking advantage of cy-

Optimism on the price

RDM 27/4/76

83

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 non-investment market for the coin and its potential has yet to be fully exploited.

83

Short setback, says Horwood

27/4/76

RDM

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 496 in 1975, more than double the 1974 consumption of 224 t — Reuter.

(83)

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 auctions 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 three times higher than the 780 000 ounces actually on sale in the first series of auctions — and had run as high as 134 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 sighs of relief that were 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 200 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 nervous uncertainties over, the overall forecast today was that bullion prices will at least stabilise and may in fact edge higher again.

Gold shares opened quietly steady on the Johannesburg Stock Exchange this morning. — Washington Post News Service; Own Correspondent and Reuter.

(83)

HECTIC TRADING AS GOLD FALLS

ARGUS 20/7/76

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 266,1. 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 loss to this country of R315-million a year, while the 36-dollar drop in the gold price since Christmas represents a potential loss of more than R750-million a year.

This almost equals the 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 mines will be endangered. Other business enterprises will suffer as well and the Government could lose hundreds of millions of rands in tax revenue.

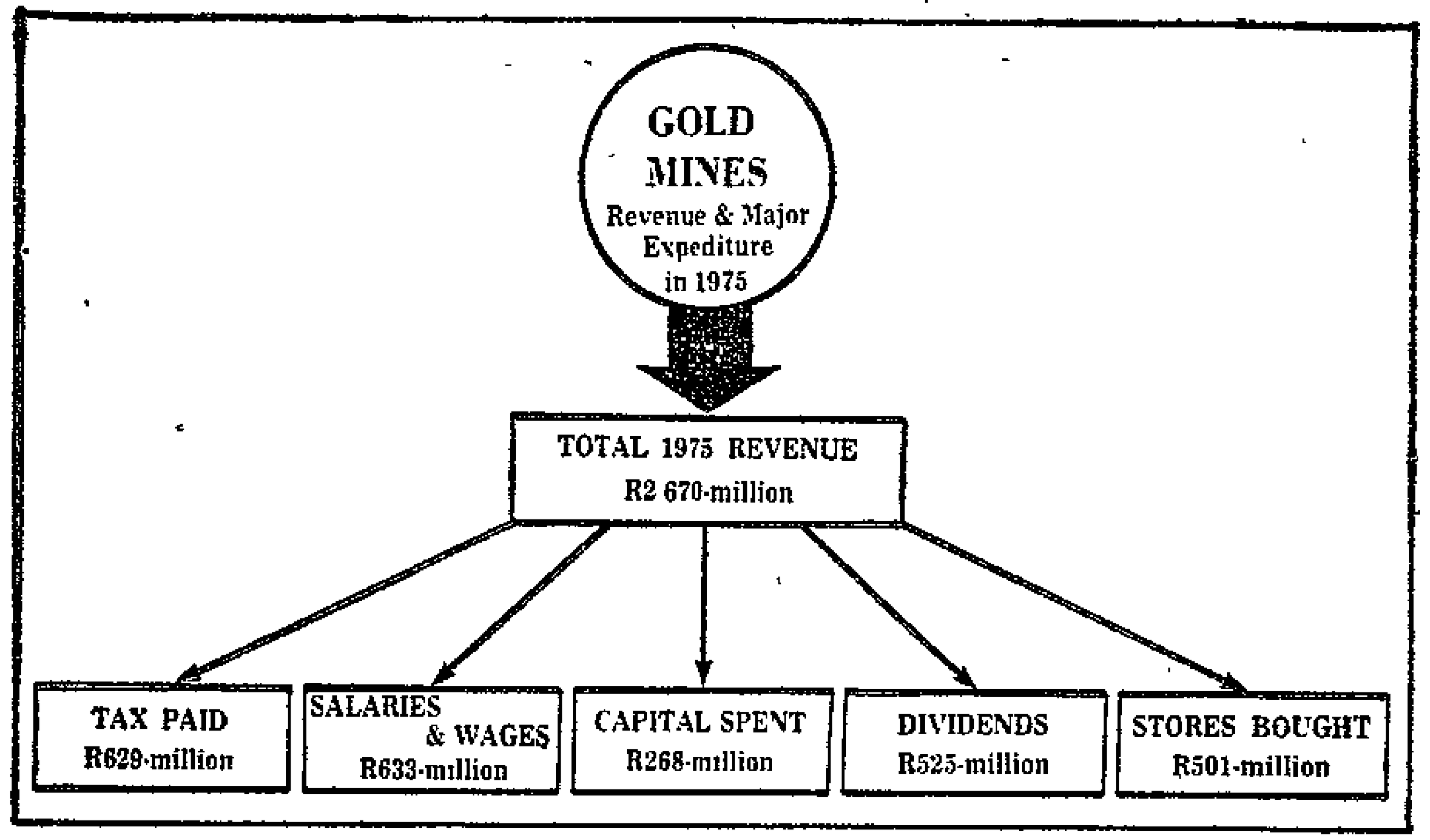
While some of the adverse effects of the lower gold price could be cushioned by devaluing the rand, thereby maintaining the rand earnings of the gold mining industry, this suggestion has been rejected by the Government.

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.



This table illustrates the vast amounts earned and paid out by the gold mining industry. Without the revenue earned (largely overseas) by the mines and the money paid out in taxes, wages, dividends and purchases, the South African economy would be very different.

Don't yawn when the gold price falls

[T]he steep fall in the price of gold to a level on which many [m]ines could not operate profitably is a threat to every South [A]frican. In a two-part series, published today and tomor[r]ow, The Star explains what the gold price means to you.

Kevin Stocks

[T]he South African [e]conomy was built on [g]old and gold remains [o]ne of its major props.

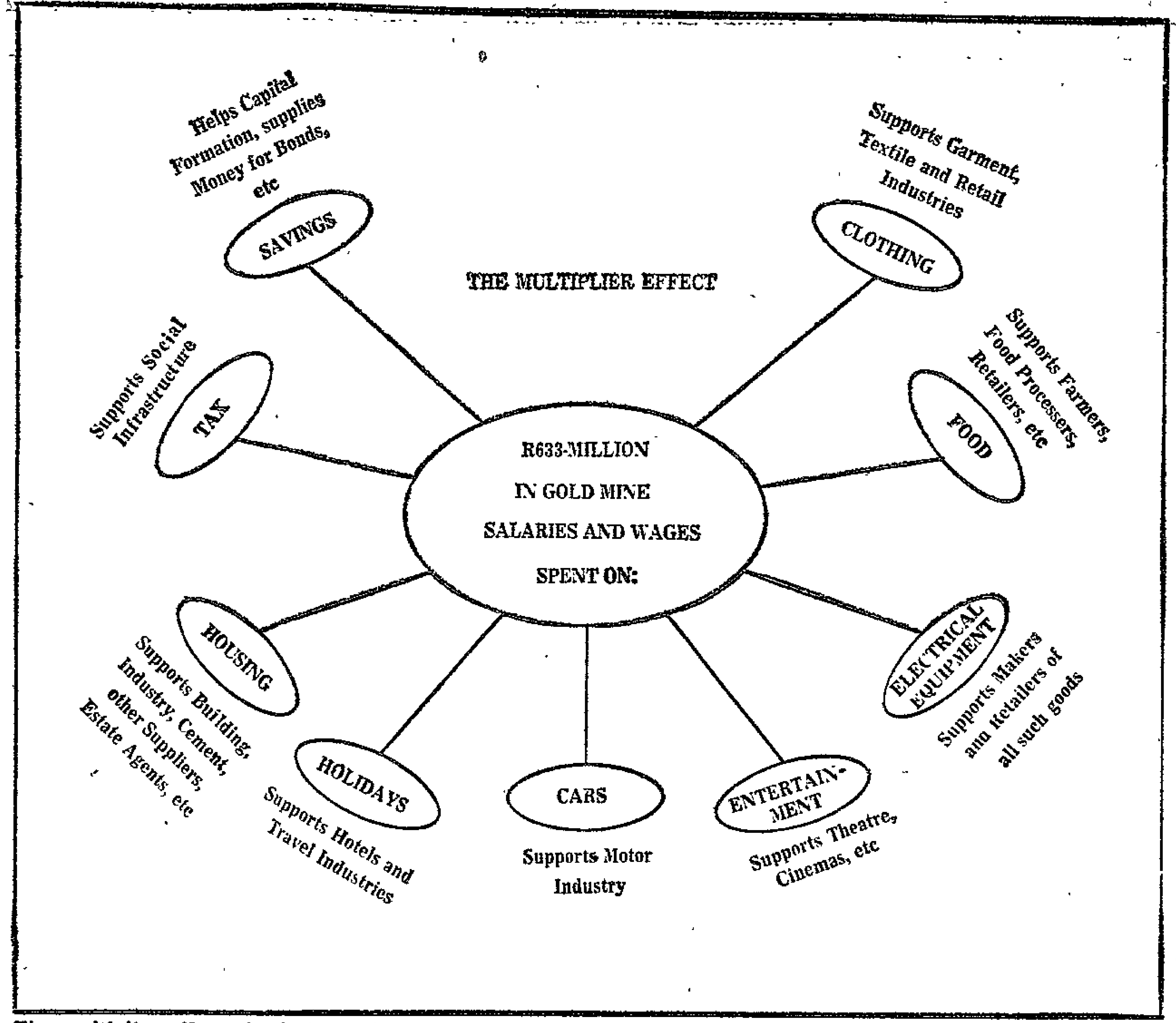
to have a little butter as well.

● It is a major employer of labour.

[illegible]

● It provides a large proportion of Government revenue.

[illegible]



The multiplier effect of salaries and wages paid on the gold mines is shown in this table. The money received by the miners goes to support a huge number of business sectors. (The table is not intended to include every commodity or service on which individuals spend money.)

mines earned and spent in 1975.

● Total revenue was R2 670-million.

● The Government received R629-million in tax and lease payments.

● Workers were paid R633-million in salaries and wages.

● A total of R268-million was appropriated for capital investment.

● Dividend appropriations amounted to R529-million.

● Stores worth R501-million were bought.

● About R110-million was spent on miscel- [illegible]

wiped out. Although concerned at the low gold price the industry has not pushed the panic button. Market mechanisms and certain powerful foreign interests make it likely that the gold price will again climb — at least to a level at which the mines can operate.

Nonetheless the international climate with its wild fluctuations in gold prices and with the anti-gold attitude adopted by some countries, particularly America, will mean a period of continuous worry for the mining com- [illegible]

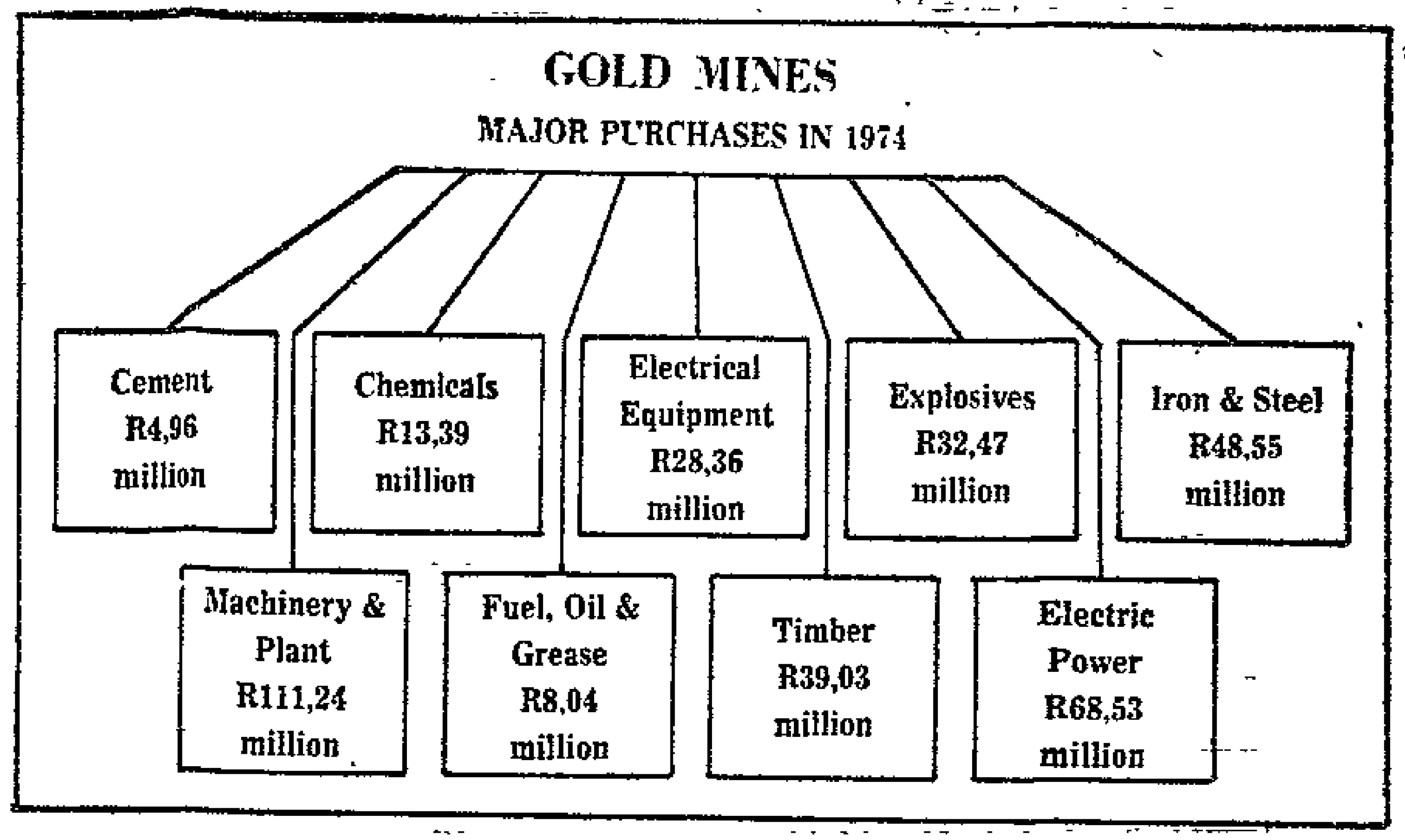
line, "Gold price slides," should not cause yawns.

About 396 000 people work on the gold mines — about 37 000 of them White and 359 000 Black. A low price for gold endangers their chances of obtaining better wages and a shorter working week and, in some cases, puts their jobs in jeopardy.

The Star's mining reporter, Mac Thain, estimates that at least 16 mines might not be able to survive without Government aid if the gold price is below 110 dollars an ounce. This week it fell well below that.

Some of these mines are nearing the end of their lives in any case but others, such as Durban Deep, ERPM, Grootvlei, Loraine, Stilfontein, Venterspost and Welkom still have long lives ahead of them — if the gold price is reasonable.

The falling gold price has already affected every South African taxpayer — as all will realise when they get their salary cheques this month.



Although South African industry is not dependent on the gold mines for survival, the mines are still among its major customers — as this table of the amounts spent with some large industrial sectors in 1974 illustrates.

In 1974 the Government collected R813-million (in tax and the State's share of profits) from the gold mining industry. In 1975 the State collected only R629-million — a drop of R184-million at a time when the Minister of Finance was seeking funds to pay for vastly increased defence expenditure as well as high infrastructure financing.

The money for Government expenditure has to come from somewhere and, if the revenue from the gold mines falls, it has to come from elsewhere.

The large increase in tax which individuals will pay this month is largely a result of the low gold price. It seems highly likely that the State will collect even less from the gold mines this year and will have to look to individuals and other sectors for even more.

The importance of the gold mines to everyone goes far beyond the questions of jobs and remuneration for miners and a high contribution to State revenues.

The industry is a major support of local industry and of the retail trade.

The mines, directly, spend hundreds of millions of rands buying their needs from local industrialists. A few examples of expenditure in 1974 show the picture. Thanks to inflation the figures for 1975 (not yet available) will be far higher.

● Explosives: R32,47-million spent.

● Electrical equipment: R28,36-million.

● Iron and steel: R48,55-million.

● Machinery and plant: R111,24-million.

● Timber: R39,03-million.

● Electric power: R68,53-million.

The industries selling to the mines employ many thousands of people. Without the mines they would sell far less and the jobs of many would be in danger.

Retailers, and the industrialists who supply them, also draw on the gold mines for much of their business.

Last year the gold mines paid R633-million in wages and salaries.

Much of this money was spent and helped to keep retailers of all descriptions (from greengrocers to television salesmen) in business. The money that was saved helped in capital formation in the country and to provide money for housing bonds, and bank loans.

Without this contribution there would be a near disastrous slack in the economy. Certainly turnover and production figures would be far lower and there would not be nearly as many jobs.

One of gold's most vital services to the South African economy is that it helps keep our international payments in balance — that is, if we disregard gold, we spend far more overseas than we earn.

During 1974/1975 South Africa's deficit on current account increased to R1 507-million. This meant South Africa bought goods and services to this amount in excess of what she sold. The country, in other words, was living beyond its means.

Tomorrow: Gold: the future.

policy. At worst they will store up a host of problems for 1976

23/7/76

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 ($161). 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 compared with over R2 500m in 1974 and 1975. That represents a massive loss of real income. Spread it 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 tranches. 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 22)

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 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

Mining houses after the gold price collapse

F.M. 6/8/76

For the past year, gold mining companies have generally been reducing dividends, apart from exceptions such as Randfontein and East Drie, 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 amounted 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 are 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 Otjihase 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.

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

MINING HOUSE GOLD INCOME*

House	1973	1974	1975	Latest price c	Historic yield %
Anglo	38	44	47	415	7,9
Anglovaal	37	41	29	1 850	5,7
Charter	9	12	14	350	3,7
Cons Gold	19	28	32	380	2,9
General Mining	51	44	34	2 625	8,0
GFSA	70	73	75	1 825	12,2†
JCI	12	20	31	3 050	5,4
Rand Selection	52	60	63	720	10,1
Union Corp	47	48	53	415	8,7‡

**As % of total investment income.*
† Based on historic 225c total.
‡ 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 Deelkraal'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 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 Mynbou, 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-

2.8
77

Good, bad as gold rises

nm 29/10/76

Financial Editor

GOLD, sterling and South African building established market 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 ... 122,875 dollars 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 is a serious blow to people who draw British pensions in this country.

However, building figures for the first nine months of this year do something to offset the dismal news about sterling.

Building plans passed in South Africa, were R114 million up on 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

Cape Times 8/11/76

222/78

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 re-negotiate 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.

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Price of gold rises

T 9/11/76.

LONDON. — The price of gold shot up nearly five dollars an ounce yesterday on speculation that the US 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 $131,625. 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. — Sapa-AP

(79 ~~50~~/248.)

Gold price goes up

15/11/74 Star

Gold was quoted at 138,10 dollars an ounce in an extended fixing session in London this morning after Friday's afternoon fix of 135,60 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 [illegible] report that turn[illegible] [illegible] low. Topping [illegible] [illegible] gold was St Helena which put on 100c to 2 000c.

79/49

Slight easing in gold price

16/11/76
Star

Michael Chester, Financial Editor

Gold eased back in early trading today from its new peaks 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 pace-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 bounded 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 massive reaction.

Mr Herbert Kaufmann, senior vice president of the Swiss Banking Corporation, predicted in Johannesburg last week that the price during the next 12 months would touch 140 dollars on occasion, but would generally settle at around 130 dollars.

The enormous influence on South Africa's economic fortunes of moves in gold prices can be measured by a simple calculation that a movement of only 5 dollars an ounce, if held, means the national income swivels as much as R100 million a year.

It was pessimism about price trends less than three months ago that

To Page 3, Col 4

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Gold keeps climbing

30/10/76

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 $139,50 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.

DD 8/12/76

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Gold shares fluctuate

JOHANNESBURG — Gold shares fluctuated widely on the Johannesburg Stock Exchange yesterday. Initial markings were higher in response to early indications of a better bullion price then eased on the fix, only to improve again before the close.

Most counters tended to close at best with heavies up to 100c better.

Overnight indications from Britain and America on the possible movement of the bullion price set the market off to a good start. However, the morning fix in London, which was only 20c up at $134,20 tended to dampen spirits.

That the price of the metal was strengthening during the day again prompted buying so that midday losses were recovered and in some cases improved upon.

Randfontein, now the favourite in the board, mirrored the overall trend by opening at 4 000 c, easing to 3 975 c and eventually closing at 4 000 c for a gain of 50c.

The gold price at present seems to be particularly strong despite today's IMF auction. The feeling in the market is that it could well go to 150 in the near future with a basic trading range between $130 and $140.

De Beers has maintained its leading role is setting the pace with a 3c gain on the day.

In London, the market closed firm in light trading and at 15h00 the FT Index was 6,5 points higher at 316,6 following speculative interest ahead of the economic measures due next week. Stock shortage accentuated the advance in equities, dealers said.

Government bonds were irregular but short-dated loans ended narrowly higher.

Earlier much of the interest was directed to the three per cent 1982 stock which finished 5/16 up. There was a downward reaction following indications that the lending rate would not be reduced this week, but a quick recovery after the chancellor said he will next week announce economic measures and an agreement in principle from other countries on ways to consolidate overseas sterling balances.

Leading equities rose by up to 8p but BP was 8p down on balance following profit taking.

Standard and Chartered Back came off 10 p from its higher after half year results, but was still around a penny up on the day. Rank Hovis McDougall was a fraction lower following results. Hoover was about 20p higher after a broker's circular.

In Salisbury, a fair number of counters changed hands, but turnover remained on the low side. Prices, where changed, had a slightly easier undertone.

In minings Rio Tino eased 6c and minimal losses were shown by Empress, MTD and Wankie. Rhonick traded unchanged.

On the industrial board the only shares to gain were Tobacco sales up 5c to 355c and Rothmans up 3c to 330c. Hippo Valley traded at a new 1976 low. Counters to ease were Mandr, Radar, Rhosugar, Whitehead, Springmaster, Mash and Gulliver. — DDC-SAPA-RNS.

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IMF SELLS GOLD FOR 137 DOLLARS

ARGUS 9/12/76

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 135,65 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 4 307 200 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 525 000 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. Sapa-Reuter.

10/12/76. DD.

Market disappointed after gold auction

JOHANNESBURG — Once again Hollard Street was disappointed that there was no strong follow through from overseas after a successful gold auction.

The gold sector opened in a buoyant mood yesterday but counters started to drift sideways just before midday and most closed off the top.

The more emotional equities market initially greeted the generally better than hoped for auction price of 137 dollars — some Hollard Street commentators were spot on in their prediction — with enthusiasm.

The more pragmatic bullion market, faced with short covering and the vital decision when to profit take, was nervous and this hesitancy filtered through to investors later in the day.

In general, bullion dealers and bankers were cautious about prospects of the gold price rising much above 140 dollars.

The biggest gain of the day was 100c in heavyweight West Drie but favourite Vaal Reefs fell back to close unchanged. The marginals responded reasonably well as they benefit most from a higher gold price.

High gold content mining financials were firm, except for Unicorp which fell a few cents after the group's mining annual reports. Other metals were neglected although there was a slightly firmer trend.

The more optimistic outlook on gold filtered through to industrial leaders such as Barlows and the Rembrandt shares, as well as to De Beers.

Brokers are hoping that this marks the end of overseas dumping of South African industrials. However, the niggling question of the unsolved Southern African political situation remains a cloud over the investment as against the speculative market.

De Beers firmed 3c to close at 320c while ex-dividend Bisplat gained 4c and Rusplat put on a few cents in platinums. Coals were dull with Wit Cols showing the best gain of 50c. Trans-Natal edged down 3c.

Cons Murch came back 20c in other metals. Gefco rose 75c while Msauli put on another 5c. Randfontein came off the top to make the day's rise 50c. ET Cons did best among the marginals by putting on 17c.

St Helena was up 60c while East Drie rose 30c, President Brand advanced 25c and Welkom was up 10c after fears of earthquake tremors were stilled.

Amgold recorded one of its best advances for a long time of 125c. Anglo firmed 15c, GFSA put on 100c while Johnnies was 75c higher. ATI, Barlows, Indsel and Primrose were up to 10c higher. A feature in industrial financials was a 20c fall in BTR.

Tiger, OK, Woolworths were up to 20c firmer and the Rembrandt counters were up to 10c higher.

In Salisbury, the Rhodesian stock market continued on its trendless quiet way yesterday with 19 counters changing hands, seven at higher prices, five lower and seven at previous levels.

In fairly active minings, Mangula traded at 192c and then 195c to show a 5c improvement, and Falcons gained a like amount. Wankie changed at 98c and then 99c to gain 1 cent. However Coros eased 2c to 110c.

On the industrial board PP Cement fell 15c to 300c and Rothmans 3c to 327c. One cent declines were shown by Radar and Cairns. Plate Glass improved 5c to 210c and 2c gains were shown by Kingstons and Whiteheads. Impala at 8c were 1 cent better. The other counter traded was at unchanged levels.

In London, the market closed mainly easier on profit taking after the recent rises, dealers said. At 15h00 the FT Index was down 4,6 at 320,4.

Government stocks moved narrowly in quiet trading. Medium dated loans mostly maintained earlier small rises. Leading equities saw falls of around 2p to 5p in increased turnover.

Oils had BP and Shell both around 8p easier and Banks lost 2p or 3p by the close after being steady.

Mining shares were off the top with net gains of around 25p in heavyweight gold producers after the IMF gold auction and higher gold bullion price. Australians continued firm. — DDC-SAPA-RNS.

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Gold breaks out of attempted price restraints

W/E ARGUS 11/12/76

The Argus Bureau

WASHINGTON. — Gold has broken free once again of the net 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 IMF itself, 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 122,05 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, the 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 again 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 Loor, 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-out the overt Arab bidding for gold as a means of storing their oil wealth.

Contributory factors have been the election of Mr Jimmy Carter, whose promises 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 6 250 000 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 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 780 000 ounces were on 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 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.

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 Sharps 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 6.25-million ounces the IMF is returning to member countries, a steady progress to 160 dollars by October 1977 ... when the central banks will be free to use gold for transactions.

Sun. Tbs 12/12/76

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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 chairmen'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 780 000 ounces.

Two of the fundamental reasons for the near-collapse of the bullion price of around five months ago was the fond 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 1975 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 16 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 Lyn 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 causes of last two gold auctions successes 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 refuge 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 an 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 fatuous 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.

Sun-Trib 12/2/77.

12/2/76

Gold breaks out

How that price flop the Americans planned flipped in South Africa's favour

By Finance Editor CHRISTOPHER MORRIS

SOUTH AFRICA has reason to smile. The result of this week's IMF gold auction, and the new IMF auction policy, are bullish for the metal and heartening for the economy.

Local gold men are certainly content with the outcome. Robin Plumbridge, president of the Chamber of Mines, says that the result of the auction confirms that the overall picture for gold is brighter than it has been for some time. "It indicates clearly that the market is learning to live with the auctions and that demand is such that the gold being offered can be absorbed without difficulty in present conditions."

Dennis Etheredge, chairman and managing director of Anglo's gold division, is equally enthusiastic. "We consider the price to have been very satisfactory indeed and the fact that it was oversubscribed is obviously comforting..

"We expect that there could, over the next week or so, be a 'technical correction' as some of the speculators take profits but this is unlikely to have any long-term effects."

The Minister of Finance, Senator Owen Horwood, called the auction price very satisfactory, and a victory for gold "which after all has withstood sustained onslaughts in fine style".

He added that the higher price will naturally be of great assistance to South Africa, especially to the balance of payments.

Reaction to the IMF's decision to sell 525 000 ounces monthly instead of 780 000 ounces at six weekly intervals was welcomed by gold men, although even more frequent intervals would make them happier. Said Plumbridge "we welcome the decision to hold the auctions more frequently as this will help ensure market stability. We hope that it will be possible in due course to hold the auctions on a weekly basis."

Senator Horwood agreed, saying that the monthly auctions would help prevent speculation and yield better results. "I believe, however, that still more frequent auctions of correspondingly smaller quantities — weekly or fortnightly — would be preferable and I hope that the IMF will continue to give attention to this possibility."

Etheredge called the sorter time periods between auctions "a move in the right direction" and welcomed the common price method which will apply at the next four auctions.

"Under present conditions, the market should have little difficulty in absorbing 2 355 000 ounces scheduled for auction between January 26 and early May '77.

"We look forward with confidence to a gradual increase in the price which from the point of view of the gold mining industry is better than a precipitous rise."

KEN OWEN in NEW YORK

GOLD has broken free once again of the net 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.

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 122,05 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, the psychological effects were severe. There seemed no end to the regular dose of "downers" coming from the IMF.

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 again 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 Loor, said afterwards that he was "well satisfied" with the outcome of the sale. He thought it bullish for gold.

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-out the overt Arab bidding for gold as a means of storing their oil wealth. Other observers here have noted that the Arabs have taken a licking in currencies, especially sterling, that they are stuffed with arms, that their societies cannot absorb more consumer goods or industrial imports. Hence they are going into commodities to hedge against inflation and gold is classically the prime commodity for the purpose.

Contributory factors have been the election of Jimmy Carter, whose promises 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.

Nor are the Arabs alone in seeking protection from inflation in gold. The

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FLOP THAT FLIPPED IN OUR FAVOUR

• From Page 1

Austrian Government has used newly-minted gold coins of 1 000 schillings face value (R62) 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 almost daily. For one thing, the IMF will begin to return gold to its members in January, starting with 6 250 000 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, constitute a wild card factor, according to experts here.

The US 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 US Treasury has made only token sales.

In fact, a remarkable feature of this week's sale was the number of American buyers listed among the successful bidders, even though the gold was for delivery in London.

This implied that the American buyers were acting as agents for buyers either 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 780 000 ounces were on 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 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.

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D.D 18/12/76.

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 25 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 had 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 i 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 off-shore 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.

(79)

23/12/76

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 Bitcon, which leapt ahead again on a bid.

The Securities Rand rate, which has brought the discount to 43 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 inhibited trade in the metal.

The London price was unchanged and United States futures opened lower in think trading.

Diamonds were off the top so the gain was minimal. Some coppers edged up by platinums were unchanged. Coals were on the go again as were the asbestos counters.

De Beers put on 1c to 337c and Anamint gained another 25c. Messina and Minorco were up 10c and 5c respectively with Palamin steady in coppers. Tavistock gained 50c, Apex improved 35c. Natal Ammonium was bid 25c higher while Trans Natal gained 8c and Welgedacht firmed 5c. Zunguin settled at 250c, 20c higher than the last bid price.

Gefco advanced 50c and Msauli put on 15c with Cons Murch unchanged in other metals.

Randfontein was unchanged. Kinross and Winkels were a few cents weaker in Evanders. President Steyn featured with a 55c higher bid and Buffels was marked up 25c. Harmony, Loraine, Welkom, Doorns, East Drie and Libaon were up in the 5c to 10c range.

TC lands settled 50c up on the past bid price and Amcoal firmed 15c. Amgold put on 25c while Johnnies was bid up by that amount. The Anglovaal counters declined 25c and 35c to move into line and Unicorp lost 10c.

Bitcon stood at 700c bid, up 100c on Tuesday's bid price. Barlows reached 300c at one stage, but came back to 295c at the close up 8c on Tuesday's bid price. Barlows reached 300c at one stage, but came back to 295c at the close, up 8c on Tuesday.

Abercom, Amic, Comair, Debinco (bid up 20c), Indsel, Lonrho, Malbak and Rennies were among the gainers in a strong industrial finance sector.

SA Brews gained 2c to 85c and Tiger continued on its march with a 10c gain to 815c.

Copi, Kohler, Reedpak and Sappi were firmer in papers. Engineering Eveready, Hubdav, Otis, Samos, Standard Brass, Steelmetals and SL were up in the 5c range, some on bids. Pick 'n Pay was bid 25c higher in stores while Greatermans firmed 10c.

In LONDON, the market closed firm after a quiet session. Dealers attributed the higher trend to some institutional demand, but thin conditions exaggerated price movements.

Support for equities was selective, but here too some issues were off the day's highs. Nett rises ranged to around 12p.

ICI led industrials higher adding 10p while Lucas, Bowater, AP Cement, SMI, Thorn and Hawker Siddeley showed net advances of 6p to 9p. 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 Tangan a at 50c and Merlin at 33c. Unchanged was Hippo Valley, David Whitehead, and Gatooma Textiles.

Financials were largely neglected with sales in CI Holdings 30c Impala 8c and Mashonaland Holdings 55c

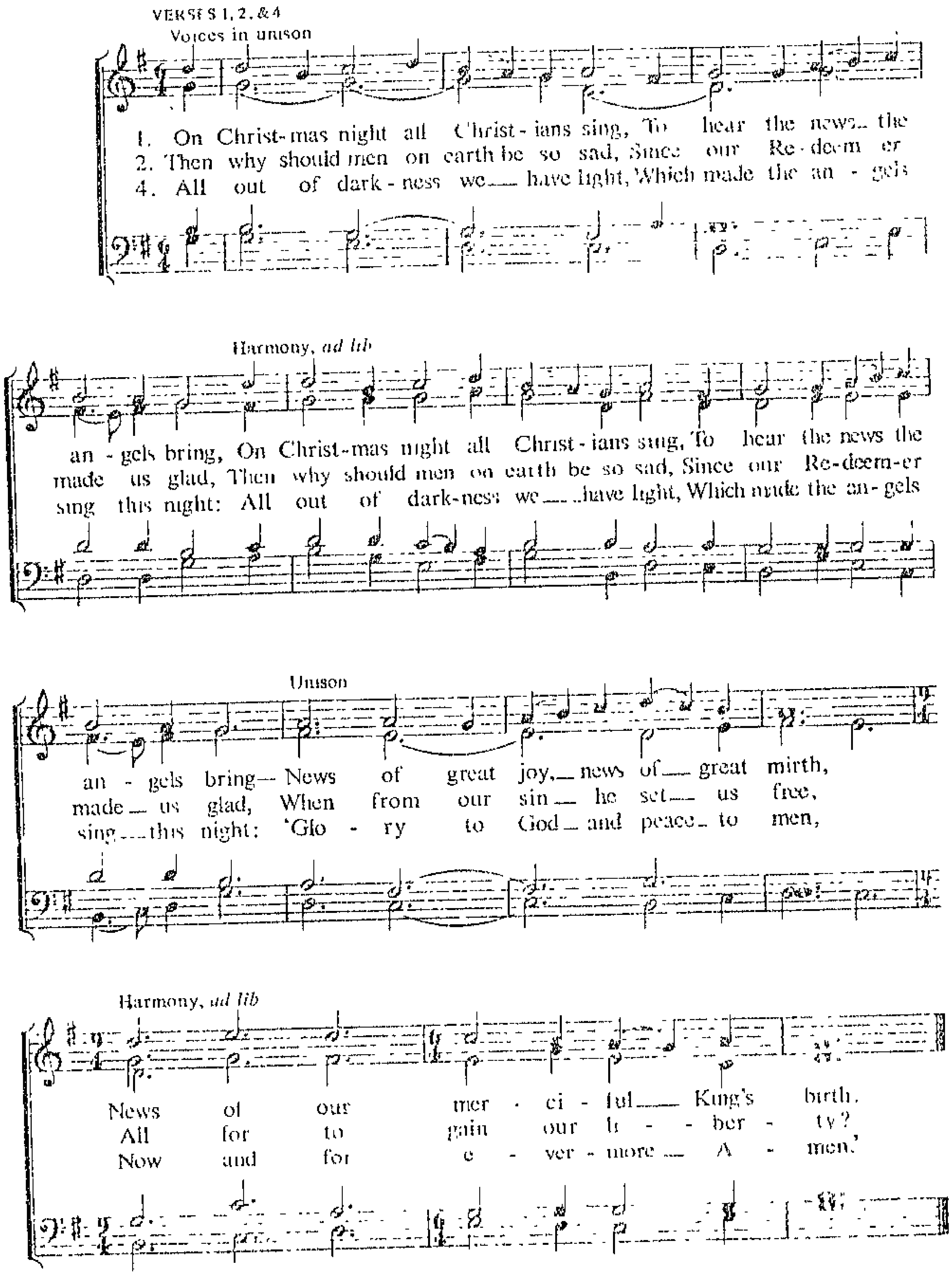
In the mining sector, Mangulas continued firm at 188c, but Coros moved 5c lower to 100 — SAPA-RNS-DDC

24 SUSSEX CAROL
(CHRISTMAS)

FIRST TUNE

Traditional

Ibid
(R.V.W.)



23/12/76

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FINANCE

IMF's RETURN OF GOLD HITS PRICES

ARGUS 4/1/77

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, Reuter 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 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.

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Gold carries on lower

By NEIL BEHRMANN

LONDON. — The price of gold continued to slip in London yesterday falling to $131,45 in the morning and $131 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 favoured a steady price, and there were buying 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.

Yesterday 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 stale bulls are tending to offload gold.

Bullion brokers Sharpes 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.

Sharpes Pixley believes that the more frequent sales of 525 000 oz a month beginning in March should help to reduce erratic tendencies in the market.

Sharpes 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 $140

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 sterling balances.

Central bankers are expected to reach an agreement today on a solution to the sterling balances. The bankers are at a meeting at the Bank for International Settlements in Basle.

The basic problem of sterling balances is that $4 000-million in pounds is in the hands of foreign governments and central banks. From time to time — especially last year — these foreign holders have put pressure on the pound by selling their holdings.

They have sold sterling because they have either needed other currencies or because they feared that the exchange rate would not hold.

10.

The pattern of trading was well established by this time with the waggons rolling into Simon's Town with their fresh produce in considerable numbers in summer, when the tollgate collected about £6 per month. The winter months - duration unspecified - were less profitable, with ... being collected. (Theal G.M. 1897: xxv ... paid to "Kaffres" on the civil establishm... at that time was £6 per annum, a white c... £31/10/-. (Ibid: xxxv:55. Figures for 18...

As apprenticeships expired, wages ... workers. In 1848 it was reported that ... within which Noordhoek falls, "in addit... domestic and predial servants receive b... which their families are also provided ... rations are commonly calculated for an ... per diem. In some field cornetcies do... as from 20/- - 45/- per month and in th... the division it runs as low as 4/- - 7/... from 25/- - 30/- and as low as 6/- per ... and harvest time predial servants obtai... with rations. Tradesmens' wages fluct... the demand for employment". They vari... day in Cape Town. (Blue Book for the ... Dockyard labourers could earn 2/- per d... (ADM 123/16: 30) Wage... workers varied accord... labourers earned with... Those employed by the ... overseer or head shep... to a white doing the ... received 72% of that ... labourers on the farm ... 1854: 468-9) plus foo... sought an increase i... because they would n... With that additional ... could buy 1 lb bread, ... wine. Shoes and tr... shirt could be had f...

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Call to nationalise gold mining industry

6/1/77 DD

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 "bend 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.

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We can't rely on gold —Heunis

15/11/79 RDM

RUSTENBURG. — The Minister for Economic Affairs, Mr Chris Heunis, said in Rustenberg yesterday that South Africa would 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 1975 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 effectively," he said. — Sapa.

ARGUS 18/1/77

Anglo, Rand Sel suspended

By Liz Dutkiewicz

JOHANNESBURG.— Anglo American and Rand Selection were suspended on the Johannesburg and overseas stock exchanges today at the companies' request.

Rand Selection was firmly bid from London yesterday and fluctuated between 760c and 810c.

Related Anglo American counters — De Beers, for instance, which has a large stake in Rand Sel — were slightly harder today.

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Cape Times 18/1/77

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 2,44m tons milled compared with 2,67m 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 R118m was 2,5 percent above the R115m 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 R57m.

In addition to R61 million working profit from gold there was R6m from Sunday items, profit on pyrite, uranium revenue and recovery by Libanon on its fire insurance claim, resulting in total profits eight percent above the R62m for the previous quarter.

Capital expenditure at R17m 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. Profits after tax R2 578 000 (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 Ventersdorp contact reef area at the Harvie Watt shaft on September 2. The fire has 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 R767 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

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IMF 'handouts' dampen gold market

Cape Times 18/1/77

By NEIL BEHRMANN

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 shares, 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.

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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.

ARGUS 18/1/77

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 chaiman of the Shareholders Association, Mr R. B. 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 Tommey

7pc rise in price to gold mines

.ARGUS 18/1/77

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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 R3-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-million (R14,8-million).

East Driefontein:
R12,6-million (R12,2-million).

Kloof:
R4,4-million (R4,6-million).

Libanon:
R2,5-million (R1,4-million).

Doornfontein:
R1,9-million (R1,6-million).

Venterspost:
R76 000 (R1,2-million loss).

Vlakfontein:
R767 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 R881 000 to R14,8-million.

Of **Harmony's** R14,4-million taxed profit (R1,9-million in September quarter), only R1,7-million (R669 000) came from gold.

Blyvooruitzicht:
R5,6-million (R6,1-million).

ERPM:
R148 000 (R167 000).

Durban Deep:
R1,9-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

Cape Times 19/1/77

Randfontein, W Areas profits rise

JOHANNESBURG. — The Johnnies gold producers, Randfontein Estates and Western Areas, overcame increased working costs and underground labour shortages to turn in increased profits in the December quarter.

The profit at Randfontein rose to R10 512 000 from R9 964 000 with the increased revenue from gold at R14 726 000 (R13 948 000) countering working costs higher at R4 489 000 (R4 426 000).

At Western Areas the profit increased to R3 551 000 (R3 168 000) with revenue per tonne milled up to R22,46 from R19,92 while working costs rose from R16,88 to R18,42 per tonne milled.

The Randfontein directors said construction work on the new gold and uranium recovery plant was on schedule, while equipping of the No. 2 main shaft in the Cooke section had been completed to 106 level.

In the Randfontein section, operations on re-opening said 32 and 16 shafts and the refurbishing of the millsite uranium plant were on schedule.

Shortages in Black personnel had hampered certain operations during the quarter, especially as far as the rate of development was concerned.

The Western Areas directors said development towards the proposed SV 3 shaft continued to be delayed by the intersection of water-bearing fissures.

No advance had been recorded during the quarter and the process of sealing off the water-bearing fissures was continuing. Some small advances had been achieved since the year end, progress to date in all ends had totalled 1 709 metres.

The company's reduced mill throughout was directly attributable to the deterioration in the supply of underground labour, they said.

The group's Otjihase Mining Co ran into difficulties underground and in the metallurgical plant, and the tonnage milled has not yet attained the target rate of 100 000 tonnes milled a month.

The directors add that the problems associated with underground production appear to have been overcome to a large extent. Difficulties associated with the metallurgical plant "may be overcome by the end of the current quarter". — Sapa

Suspensions: Anglo reasons today?

Cape Times 19/11/77

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 cricles 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 Randsel 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

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Cape Times 19/1/77

Long-term sales pact for uranium

JOHANNESBURG. — Randfontein Estates, a gold producer in the Johnnies group, has obtained long-term sales agreements with a guarantee base price in escalating United States dollars for its future uranium production.

The buyers are also to provide R90 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

Cape Times 19/1/77

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 R4 902 000 in the September quarter. Working profit from gold rose to R11 902 000 (R7 439 000).

Mill throughput at Hartebeestfontein 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 Hartebeesfontein, 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

Cape Times 20/1/77

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 State share of profit for the quarter is higher at R14 489 000 (R12 574 000).

Gold production on the group's mines fell by 3,9 percent to 18 507 kg but working revenue was 1,9 percent higher at R61 850 000.

At MARIEVALE a considerable proportion of the tonnage milled was taken from the surface rock dump, thus decreasing working costs. — Sapa

MINES BRING IN RECORD TOTAL

ARGUS 20/1/77

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 innreased 30 peroent from R566,1-million to R736,8-million.

Biggest increase was in sales of coal, both for domestic and overseas consumption.

Domestic sales jumped by R92-million to R286,4-million, while export sales rose by R31-million to R42,7-million.

2-for-1 offer by Anglo

ARGUS 20/1/77

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 R80-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

79

Gold revenue drops at Anglo mines

RDM 21/1/77

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 R393 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 678 000 (R5 017 000).

The four mines of the groups are Vaal Reefs, Western Deep Levels — both large producers — and SA Lands 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 45 per cent at R60 923 000.

The average gold price received by the Transvaal mines in the year was about $119 an oz compared with $131 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 (R65 358 000).

Planned production for 1977 is 7-million tons milled (6 572 000) at a recovery grade of 9,6 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 795 000). 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 992 000 — 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

RDM 21/1/77

79

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 R42 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 (286 000 tons) but because grade was raised to 5,61 g/t (5,28 g/t) resulting in gold production rising to 1 564 kg (1 506 kg).

A working profit of R363 000 was earned compared with a loss previously of R1 054 000. After the inclusion of sundry revenue, the taxed profit rose to R438 000 (R911 000 loss).

F S Geduld: Abnormal ground conditions were experienced and mill throughput was cut to 565 000 tons (575 000 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 9 006 kg (8 945 kg) and with costs well contained, the working profit was up to R20 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 t e jbasal Reef in the No 4 shaft area.

F S Saaiplaas: Gold production was raised to 1 028 kg (930 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 8 per cent rise in costs, but the working loss was cut to R1 611 000 (R2 262 000).

Sundry revenue, however, brought in only R545 000 (R2 084 000) so that the total loss was R1 066 000 (R50 000). Capital expenditure is estimated at R8 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) and a cut in grade to 11,26 g/t (12,21 g/t).

In spite of a reduction in costs, working profits were marginally down to R14 681 000 (R14 809 000). 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 R29 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 6 812 kg (7 891 kg).

Welkom: Gold output fell to 3 396 kg (3 535 kg) because of a cut in grade to 6,38 g/t (6,56 g/t) and a reduction in tonnage milled to 532 000 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 435 000 (R16 712 000) as a result of lower revenue and higher costs.

Tonnage milled declined to 750 000 tons (768 000 tons) and with grade lower at 11,88 g/t (12,28 g/t) gold output fell to 8 909 kg (9 432 kg).

79

IMF gold for South Africa

from 21/1/77

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 6 250 000 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.

79

Vose Mr W. c/o
Welchel Ms. K.
West Dr. M. c/
Westcott Ms. G.
Whisson Dr. M.
Wilson Dr. F.
Wilson Prof.M.
Young Mr. G.

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RDM 24/2/77

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 4,38 per cent.

Labour supplies of Genmin 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 2,6 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 — Loraine and Hartebeestfontein.

Loraine's costs were down 15 per cent with higher mill throughput but this improvement was from the abnormally high level of R28,83 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 GFSA with costs up 8,55 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.

74
248

Gold up 28/1/77

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.

7?

GFSA profits and div slashed

Cape Times 29/1/77

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 subsidary (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

79 Gold.

9/5/78

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 148/148,50-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.

79

Gold reserves to rise spectacularly soon

8/2/78

Harold Fridjhon

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 occordance 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 R29,55 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 R113 an ounce (about 130 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 advantages 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 R29,55 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.

74

hier, soos die Nederlandse taalkundige J. L. Pauwels aantoon, met 'n oorgeërfde verskynsel te make.

J. A. VERHAGE, „Deftige en gemeensame vorme in die sinsverband van ou Kaapse taal", *Tydskrif vir geesteswetenskappe*, jg. 5, nr. 3, 1965, pp. 307–323.

J. A. VERHAGE, „Die herkoms van die verbinding *as wat* na 'n komparatief en sy verbreiding in Afrikaans", *Tydskrif vir geesteswetenskappe*,

162–168.

...gen verbale vormen in het Neder...

...0.

...erkings

...wording van die Afrikaanse taal ...erke van die woordeskat, klank... ...wys word. Talle van die fyner ...struktuur kon uit die aard van ... Nederlands, soos dit die oorsig blyk, is die meeste „kenmerke" van Afrikaans voortsettings van die een of ander dialekvorm of tendensie in 'n dialek wat in Nederland self deur beskawingsfaktore teëgewerk is of verdwyn het. Daarnaas het die invloed van die talle vreemdelinge aan die Kaap 'n rol gespeel. Ook hier kan ons net by uitsondering een groep sprekers isoleer en vir die wording van 'n bepaalde taalvorm verantwoordelik hou. Ons kan bv. nie aantoon in hoever die Franse of Duitse immigrante die Afrikaanse sinsbou direk beïnvloed het nie, of in hoever hulle die vereenvoudiging van die vormstelsel veroorsaak het nie.

1. Teorieë oor die ontstaan van Afrikaans

Vroeër is daar wel aan die een of ander beslissende taalinvloed gedink. Dit was die geval voordat 'n taamlik groot hoeveelheid direkte gege-

wens van die Kaapse taal in die Argief in Kaapstad gevind is. Kort na die stigting van die GRA het die belangstelling in die herkoms en ontstaan van Afrikaans by taalgeleerdes begin posvat en aanleiding gegee tot die ponering van verskillende teorieë oor die ontstaan van Afrikaans. Th. Hahn se *Hottentots-teorie* van 1882 was die eerste poging tot 'n verklaring van die karakter van Afrikaans. Hoewel hy vasstel dat Afrikaans „phonetically teutonic" is, d.w.s. sy Germaanse struktuur behou het, is dit volgens hom „psychologically an essential Hottentot idiom". Maar hierdie vae stelling kan hy nie bewys nie. Kort ná hom kry ons die belangstelling van Nederlandse geleerdes soos M. de Vries en J. te Winkel, wat die *Frans-teorie* voorstaan. Volgens dié teorie sou Afrikaans onder die invloed van die Franse Hugenote ontstaan het, maar D. C. Hesseling het die teorie in 1897 al weerlê. In 1885 wys Hugo Schuchardt, die beroemde Duitse geleerde en kenner van Kreoolse tale, op twee belangrike faktore wat by die wording van Afrikaans 'n rol kon gespeel het; hy dink aan die een kant aan Duitse invloed; aan die ander kant was hy die eerste wat in 1891, op grond van sy kennis van Indo-Portugees en Maleis-Portugees, op moontlike kreoliseringsfaktore in Afrikaans die aandag gevestig het. D. C. Hesseling het dié gedagtes in 1897 en 1899 verder gevoer, veral in sy beroemde ... (1899) waarin hy sy *Maleis-Portugees-teorie* ... stelling met die vorige teorieë was Hesseling s'n ... wetenskaplik verantwoord was. Volgens Hesse... die eerste dertig ... van die volksplanting 'n ...le aan die Kaap plaasgevind het, nl. 'n botsing ... Nederlands van die vryburgers, soldate en amp... die Oosterse slawe wat Maleis en 'n vorm van ...praat het, of 'n vermenging van albei („Maleis-...n daarna het 'n groot aantal slawe wat gebroke Portugees gepraat het, Kaap toe gekom; dit sou volgens Hesseling 'n skielike kommunikasieprobleem veroorsaak het wat tot 'n vinnige verandering van Nederlands gelei het. Die resultaat was 'n sterk vereenvoudigde taal met 'n reduksie in sy grammatika. Wanneer 'n kultuurtaal in 'n bepaalde kontaksituasie deur 'n botsing met 'n sosiaal laerstaande taal binne 'n kort tydperk 'n drastiese reduksie, struktuurverandering en vereenvoudiging ondergaan, praat 'n mens van kreolisering. Hesseling moet egter self erken dat die tipiese kenmerke van kreolisering in Afrikaans ontbreek, daarom kom hy tot die konklusie dat Afrikaans beskou moet word as Nederlands wat halfpad bly staan het om 'n Kreoolse taal te word.

Ongelukkig het Hesseling destyds nie oor die nodige direkte taalgegewens beskik nie; hy kon sy teorie feitlik net op sosio-historiese gegewens baseer wat bowendien nie volledig en korrek was nie. Daarom was ook sy teorie ontoereikend en eensydig; dit het 'n hipotese gebly wat hy nie kon bewys nie.

Gold earnings down but uranium up

15/3/77

Mac Thain

Net profit of the gold mines that are members of the Chamber of Mines last year totalled R662-m, against R796-m in 1975 — a drop of 17 percent.

Working revenue from gold fell by R216-m to R2 347-m, or 8 percent, and the increase in working expenditure of R193-m to R1 437-m cut working profit by R409-m to R910-m, a decline of 31 percent. In the 1974 boom year working profit was R1 571-m.

Average working revenue received per ounce produced was R104 (119,5 dollars) against R112,6 (129,5 dollars). Unit working costs rose from R54,62 (62,82 dollars) to R63,63 (73,17 dollars) an ounce, or 16,4 percent.

On the year's results, 10 mines, excluding the primary uranium producer W R Cons, recorded losses before State Aid, against five in 1975. In the fourth quarter there were five losers but this included mines which have closed down — East Dagga, S A Lands and City Deep. State Aid paid fell from R68-m to R33-m.

The position was alleviated to some extent by the upsurge in uranium profits from R18,3m to R66,5-m. Much of this came from spot sales from stockpile but uranium production rose from 6,19-m to 687m pounds.

This, with other sources of revenue, brought total profit for the year to R1 058-m compared with R1 425-m for 1975, representing a drop of 25 percent. Tax and lease fell by 37 percent to R396-m. In 1974, the State received R813-m.

Dividends distributed declined by R184-m to R324-m — almost 36 percent down. In 1974 shareholders received R548-m.

79

January gold output

RDM 17/2/77

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 (1 800 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.

79

Golds hold promise

17/2/77

RDM

By ELIZABETH ROUSE

THE GOLD share market appears to hold some promise based on gold's recent performance, according to some investment analysts.

A broker's analyst says a feature of last week's trading was renewed demand for gold, reputedly from the Far East.

"It appears as if demand for gold for manufacturing is now such that it could match the supply of new gold. Any improvement in investment demand, therefore, should have a positive impact on the bullion price."

A positive signal in the gold graph was given in early December and looks likely to persist.

"On the other hand, the RDM gold share index has not yet given a positive signal for equities. Current indications are that such a signal could well appear within the next few weeks."

A trust house analyst warns that the gold price flurry should be viewed as a commodity-type gain, subject to the speculative volatilities of commodity trading.

He says gold has been following in the wake of tin, lead, zinc, copper, cocoa and coffee.

"Nonetheless, it seems likely that bullion has also attracted some investment hedge attention because sharply divergent views regarding monetary control have emerged within the Group of Ten.

"This development may be a warning of new currency upsets, or, at least, new strains on the extended safety net of currency swops."

Uncertainties will bring hedge demands for gold to the market from time to time, and continuing gains in other export income suggest that the underlying improvement in South African investment conditions is developing.

This cautious optimism is not echoed overseas. The best investment the Daily Telegraph mining columnist can recommend is De Beers because diamonds are intrinsically satisfying, and De Beers outside assets are worth twice the share price.

What the brokers say

79

Higher gold price lifts market confidence

18/2/77

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 uraniums, 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 136 dollar level indicates that could well happen. A feature in yesterday's trading was renewed interest in coals 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 382c and Anamint put on 50c. Platinums were narrowly mixed and coppers were neglected. At Cols, Natal Anthracite, Tavistock and Welgedacht were on the advance in coals with 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 Msauli declined 3c. Randfontein was back in the lead among the golds, putting on 125c.

This gain was equalled 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 Randsel declined 15c to 725c. Charter partially reversed its Wednesday loss, Johnnies rose 55c and GFSA, Midwits, New Wits and Unicorp were steadier.

Abercom, Amic, Barlows, D and H, Iclef, Mitcott 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. Leaders SA Brews, Tiger and Remgro were steadier and Otis features again in engineerings, 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 15h00 the FT Index was up 6,1 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 1/8 while shorts and mediums held relatively steady. Gold shares firmed 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 6p 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, Vickers and Yarrow.

Chinese bonds were trading around one point higher amid speculation that a settlement of defaulted debt may be eventually arranged by China. — DDC-SAPA-RNS.

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hier, soos die Nederlandse taalkundige J. L. Pauwels aantoon, met 'n oorgeërfde verskynsel te make.

J. A. VERHAGE, „Deftige en gemeensame vorme in die sinsverband van ou Kaapse taal", *Tydskrif vir geesteswetenskappe*, jg. 5, nr. 3, 1965, pp. 307–323.

J. A. VERHAGE, „Die herkoms van die verbinding *as wat* na 'n komparatief en sy verbreiding in Afrikaans", *Tydskrif vir geesteswetenskappe*, jg. 7, nr. 1, 1967, pp. 328–342.

Gold move will hit Mozambique

Business Times Reporter

MOZAMBIQUE, whose Marxist economy is already in dire straits, stands to lose up to R100-million a year in vital foreign exchange when South Africa revalues its gold holdings at market related prices in June or July.

A spokesman for the Reserve Bank told Business Times that "it is safe to assume that when the gold reserves are revalued and the official price of gold is no longer relevant, the shipments of bullion to Mozambique will take place on the basis of a free market valuation."

In Parliament recently, the Minister for Foreign Affairs, Mr Hilgard Muller, said that the Mozambique Convention, in terms of which part of black Mozambique miners' wages are remitted to the Frelimo administration in the form of gold bullion, would not be renegotiated. It appears from the Reserve Bank statement, that this will be unnecessary once the gold holdings are revalued and the official price abolished in terms of International Monetary Fund decisions taken last year.

In terms of the convention, the Mozambiquans received South African gold on a basis of \$42 an ounce and then made a profit — at present of about \$95 an ounce — on the free market. From mid-year this profit will accrue to the South African mines.

...gewerk is of verdwyn het. Daarnaas het die invloed van die tale vreemdelinge aan die Kaap 'n rol gespeel. Ook hier kan ons net by uitsondering een groep sprekers isoleer en vir die wording van 'n bepaalde taalvorm verantwoordelik hou. Ons kan bv. nie aantoon 'n hoever die Franse of Duitse immigrante die Afrikaanse sinsbou direk beïnvloed het nie, of in hoever hulle die vereenvoudiging van die vormstelsel veroorsaak het nie.

1. Teorieë oor die ontstaan van Afrikaans

Vroeër is daar wel aan die een of ander beslissende taalinvloed gedink. Dit was die geval voordat 'n taamlik groot hoeveelheid direkte gege-

wens van die Kaapse taal in die Argief in Kaapstad gevind is. Kort na die stigting van die GRA het die belangstelling in die herkoms en ontstaan van Afrikaans by taalgeleerdes begin posvat en aanleiding gegee tot die ponering van verskillende teorieë oor die ontstaan van Afrikaans. Th. Hahn se *Hottentots-teorie* van 1882 was die eerste poging tot 'n verklaring van die karakter van Afrikaans. Hoewel hy vasstel dat Afrikaans „phonetically teutonic" is, d.w.s. sy Germaanse struktuur behou het, is dit volgens hom „psychologically an essential Hottentot idiom". Maar hierdie vae stelling kan hy nie bewys nie. Kort ná hom kry ons die belangstelling van Nederlandse geleerdes soos M. de Vries en J. te Winkel, wat die *Frans-teorie* voorstaan. Volgens dié teorie sou Afrikaans onder die invloed van die Franse Hugenote ontstaan het, maar D. C. Hesseling het die teorie in 1897 al weerlê. In 1885 wys Hugo Schuchardt, die beroemde Duitse geleerde en kenner van Kreoolse tale, op twee belangrike faktore wat by die wording van Afrikaans 'n rol kon gespeel het; hy dink aan die een kant aan Duitse invloed; aan die ander kant was hy die eerste wat in 1891, op grond van sy kennis van Indo-Portugees en Maleis-Portugees, op moontlike kreoliseringsfaktore in Afrikaans die aandag gevestig het. D. C. Hesseling het dié gedagtes in 1897 en 1899 verder gevoer, veral in sy beroemde werk *Het Afrikaansch* (1899) waarin hy sy *Maleis-Portugees-teorie* uiteengesit het. In teenstelling met die vorige teorieë was Hesseling s'n die eerste wat werklik wetenskaplik verantwoord was. Volgens Hesseling moes daar binne die eerste dertig jaar van die volksplanting 'n skielike botsing van tale aan die Kaap plaasgevind het, nl. 'n botsing tussen die 17de-eeuse Nederlands van die vryburgers, soldate en amptenare en die taal van die Oosterse slawe wat Maleis en 'n vorm van gebroke Portugees gepraat het, of 'n vermenging van albei („Maleis-Portugees"). In 1658 en daarna het 'n groot aantal slawe wat gebroke Portugees gepraat het, Kaap toe gekom; dit sou volgens Hesseling 'n skielike kommunikasieprobleem veroorsaak het wat tot 'n vinnige verandering van Nederlands gelei het. Die resultaat was 'n sterk vereenvoudigde taal met 'n reduksie in sy grammatika. Wanneer 'n kultuurtaal in 'n bepaalde kontaksituasie deur 'n botsing met 'n sosiaal laerstaande taal binne 'n kort tydperk 'n drastiese reduksie, struktuurverandering en vereenvoudiging ondergaan, praat 'n mens van kreolisering. Hesseling moet egter self erken dat die tipiese kenmerke van kreolisering in Afrikaans ontbreek, daarom kom hy tot die konklusie dat Afrikaans beskou moet word as Nederlands wat halfpad bly staan het om 'n Kreoolse taal te word.

Ongelukkig het Hesseling destyds nie oor die nodige direkte taalgegewens beskik nie; hy kon sy teorie feitlik net op sosio-historiese gegewens baseer wat bowendien nie volledig en korrek was nie. Daarom was ook sy teorie ontoereikend en eensydig; dit het 'n hipotese gebly wat hy nie kon bewys nie.

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Highest price since December, 1975

Gold price rises above 140 dollars

AM 23/2/77

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 132 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 140 to 145 dollars. If the price breaks through 145 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 160 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 \$141,25 at the second fixing in London yesterday — the highest since December 29, 1975. The morning fixing was \$140,50, compared with Wednesday's second fixing of \$139,15.

Dealers 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 industrial demand was absorbing supplies.

But in the past week, the market has moved gently higher, drawing in investors who had become worried about the world inflation picture. Investors also experienced dull conditions in world stock markets and are looking for an area in which they can make a quick capital gain.

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They say gold is in a "crucial" area, because the Russians may soon take advantage of the higher price and resume selling.

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A London bullion manager said "Yesterday I don't think that there is a fundamental cause for a big increase in the price, but it is difficult to predict when emotions are at work."

Some London dealers are non-committal about the 81 tons of Chinese gold which was shipped to London. But Zurich dealers insist that the gold reached the free 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 switching into gold following American reports that the Swiss franc will fall.

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Scottish broker Wood, MacKenzie & Co has produced 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 \$140 and \$160 this year. The firm's approach to gold share investment is still cautious, considering the South African political situation.

But 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 Freguls, St Helena, President Brand and Winkelhaak for cautious bulls; second, Harmony, Libanon and Buffelsfontein, for those who are more optimistic on gold this year, and third, Doornfontein, President Steyn and Harties are regarded as technically undervalued on a shorter-term view.

The gold share analysis is 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 against profit distributions, mine life, grade trends, costs, current and prospective dividend yields.

In addition, labour efficiency is assessed. The firm also considers which tribe and area the labour comes from. For instance, Rhodesian and Mozambique labour, although of a higher standard, must be considered a risk because of political problems

GOLD

5 November 1977 —

27 JUNE 1978.

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SATURDAY, NOVEMBER 5, 1977

Cape Times 5/11/77

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 rose strongly through the day from the morning fix of $164.70 which was 30c up on the previous close to the late fix of $165.90.

The continuing volatility in world currency markets has led to many investors hedging into gold. Prospects for the year are uncertain, the dollar's weakness is reflecting concern over the trade deficit and inflation. Sterling has reacted sharply to UK political developments and currency in flows.

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 gilts, buying continued 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 1.86 against the dollar, the pound slumped to a low of 1.79 as nervous holders dumped the currency.

Yesterday it closed 1.8040/60. The irony of the wild fluctuations is that after months of intervention to keep the pound down, the Bank of England decided to change its tactics to let the pound go higher.

Pressure

Bullion dealers Sharps Pixley say that gold prices could rise if the dollar continues to be under pressure, but cautions that there could be sharp setbacks if it shows signs of improvement.

The United States Treasury reported that gold imports rose to more than 1.6 million ounces in September. Gold imports for the first nine months of 1977 now total 9.8 million ounces — more than double the gold brought 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.

Sharps Pixley notes that at the end of October New York commodity exchange warehouse stocks rose from 589 510 ounces to 911 690 ounces.

"It has been rumoured that 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 squeeze," say the bullion brokers.

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SUNDAY TIMES, Business Times, November 6, 1977.

Krugerrand sales soar as gold fever hits US

Business Times Correspondent

Three years ago the prophets of doom were warning of world economic collapse, and the long ban on gold ownership by US citizens was about to be lifted.

So it was not surprising that the price of gold soared as never before, nearly touching $200 an ounce.

But when very few Americans turned out to be gold bugs, the price plunged almost 50 per cent.

However, it has inched back up to the $160 level, and the markets are heating up again.

Now US citizens are using their gold investments as a hedge against an uncertain economic future and trying to catch the precious metal while the price is still rising.

"The trend is definitely growing," says vice president George McLaughlin of Mocatta Metals Corp, a major dealer. "The run-up in price is attracting attention."

Most investors are purchasing gold coins, particularly the Krugerrand, a coin heavily promoted by SA's gold-mining interests. Despite a premium of about 3 per cent above the free-market price of gold bullion, Krugerrand sales in the US have topped $100 million so far this year, nearly as much as in all 1976, and most buyers claim they are in to stay.

"I'm convinced the dollar is going down the drain," says a Manhattan attorney who buys a Krugerrand each month and paid $173 for one last week. "You're not safe in the stock market right now."

Other investors and speculators are breathing new life into the futures market for gold — and on the four exchanges that offer contracts in the metal, trading volume is running at record levels.

Margin rules allow a buyer to put up as little as 10 per cent of the total contract's value. But even gold bugs caution that the futures market is not for the faint of heart: each contract is for 100 ounces, and a sharp, sudden drop in the price can produce heavy losses.

Dealers and others who would plainly benefit from a gold rush are meanwhile intensifying their promotional efforts. One, an outfit calling itself The Gold Information Centre, has been running ads emphasizing gold's relative scarcity and its historic importance.

The centre, it turns out, is part of International Gold Corporation, a marketing arm of South Africa's Chamber of Mines.

US stampede pushes gold towards $175

Sunday Times · Business Times 6/11/77

(79)

By JIM SRODES

NEW YORK. — Gold is in such demand by American industrial users that some analysts are predicting market prices could head into the $175-an-ounce range soon unless there is a massive sell-off by some government — the United States and Russia being the two most often named.

There is some basis to this reasoning. Gold imports into the United States reached record levels in September, and since American industrial users were shut out of Wednesday's auction by the International Monetary Fund in Washington, the price pressure on the precious metal is likely to continue.

The government reported this week that imports of gold bullion into the United States rose to more than 1,6-million ounces in September and that the bullion inflow for the nine months of 1977 now totalled 9,8-million ounces — more than double the gold brought into the US during all of 1976.

The imports included 560 000 ounces withdrawn in September from the foreign government accounts at the New York Federal Reserve Bank, including an unusual 41 000 ounces transfer from the official account of the British Government. The transferred bullion was part of a swap agreement between London dealers and American industrial users.

Despite the fact that more than 18 gold dealing firms and banks offered 90 bids for 1 365 400 ounces — more than twice the 525 000 ounces offered — at the IMF sale on Wednesday, only seven firms were successful with bids that ranged $161,76 an ounce to $163,27 an ounce.

The average bid was $161,86 an ounce, a full 11 c above that day's London closing. In days that followed, the market price has topped $165 an ounce.

Fund spokesmen said after the sale the profit would yield about $63-million for the IMF's special fund for developing member nations. The fund's 18-month series of sales has contributed a total of $902-million to that fund so far.

The surge in American industrial demand is largely due to the revival of consumer interest in gold as jewelry, analysts report. Directly imported bullion accounted for 2,7-million ounces while transfers from both the IMF sales and the New York Fed bank vaults account for another 3,4-million and 3,7-million ounces respectively.

In addition, nearly 100 000 ounces of gold coins have been brought into the United States for coin collectors.

Krugerrands have been doing exceptionally well (see Page 5), but South African Chamber of Mines representatives in New York are worried about attacks on the sales by pressure groups

Reserves lower

RDM 9/11/77

(79)

SOUTH AFRICA'S gold and foreign assets dropped by R18 400 000 last month and stood at R682-million on October 31, according to the monthly statement by the Reserve Bank.

The gold holding remained practically unchanged at 4 286 300 000.

Foreign bills increased from R58 700 000 to R81 700 000. Foreign investments increased from R20 700 000 to R20 900 000, but other foreign assets dropped from R334 700 000 to R293 200 000.

Government deposits dropped from R626 100 000 to R484 600 000 and deposits by provincial administrations from R97 300 000 to R89 800 000.

Notes in circulation dropped from R1 232 800 000 to R1 195 300 000.

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. — Sapa.

Gold outlook favourable, but don't bank on it, says Standard

RDM 9/11/77

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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 reflationary 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 unprecendented volume of more than 23 000 contracts (for 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 strong 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 co-efficient'. At this stage of the world business cycle general confidence is, somewhat uncharacteristically, at a very low ebb.

"Growth rates are tardy, unemployment levels high and the threat of renewed inflation is limiting the chances for implementing reflationary policies.

"This kind of environment points to a strong gold price. In addition, the outlook for the US dollar is unfavourable in the light of a massive American trade deficit, expected to reach about $30-billion this year and probably more next year.

"An important point to remember is that the 1977 United States oil import bill is likely to reach $44-billion. Consequently the country in fact conducts a trade surplus with the rest of the developed world.

"The United States is, therefore, not encouraging world trade growth, since the deficit is flowing into the oil producing countries with little spin-off effects on world growth.

"Enhanced investor interest in gold expected next year is likely to increase the volatility of the gold market because of the cyclical nature of incremental investment demand. Sharp movements in the gold price also induce response in the industrial demand for gold, and also tend to introduce new supply factors to the market.

"One of these factors is the possibility of gold sales by the Unites States Treasury.

It appears that at present the holding of the gold sales is very low on the Treasury's list of priorities, but the possibility of sales cannot be discounted should the gold price show a sustained upward momentum.

"In such an event, however, gold sales into a rising market will probably prove a more stabilising than disruptive factor in the market. Industrial demand for gold should remain firm in the year ahead, provided the gold price does not increase rapidly thereby producing resistance.

"Hence, with investor interest likely to be stimulated by current world economic and political problems, it seems probable that a favourable trend in the gold market can be projected for some time ahead.

"Because it is mainly investment led in nature, this anticipated strong market could be characterised by pronounced swings in the gold price.

"For South Africa it is of great importance that this probable erratic price behaviour be taken into account by the economic policy makers, the mining industry and investors.

"Cyclical upswings in the price of gold are not sufficiently strong or predictable to provide a sound base for expansionary economic policies or substantial changes in the gold mines investments programmes."

2/10

Gold surges as currency fears persist

RDM 10/11/77

By NEIL BEHRMANN

LONDON — The gold price rose to $167,50 at the second fixing in London yesterday. The morning fixing was $167,20 compared with Tuesday's second fixing of $164,80.

The dollar opened lower on European money markets. In Zurich holding barely above the low reached last week.

It was 2,2122 Swiss francs from 2,2215 at Tuesday's close, hovering above the November 2 record low of 2,2119.

In Frankfurt it was 2,2375 marks from 2,2585, and in Paris it opened at 4,8450 francs from 4,85%.

Sterling was higher in Zurich and Frankfurt.

In London it slipped against the dollar, opening at $1,8190 from $1,8285.

Unconfirmed reports that Saudi Arabia has decided to hold a greater proportion of oil revenues in sterling helped push the pound up by 2.5c on Tuesday afternoon.

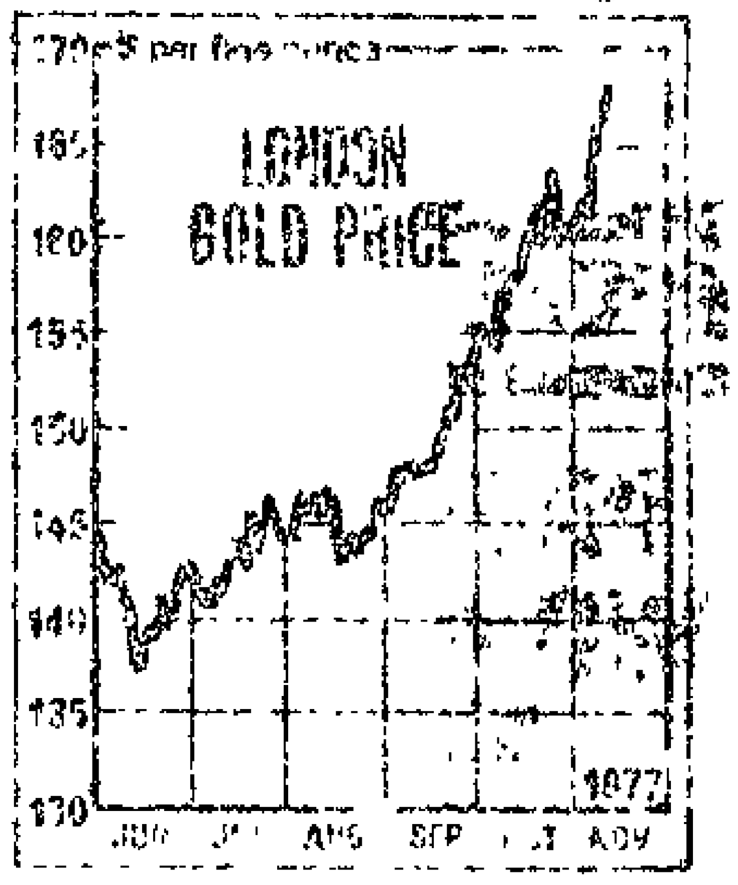
But with the dollar still weak, some Western funds shifted into gold.

According to Euromoney, sources in Saudi Arabia maintain that authorities of the Saudi Arabian Monetary Agency (Sama) are conducting a major review of their investment strategy and are concluding that surplus oil reserves are far too heavily concentrated in dollar assets.

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.

Sama's assets are believed to be even more heavily invested in dollars than other Opec surplus countries, and it is annoyed with the way in which the dollar has fallen.

A Paris based Arab magazine suggests that Saudi Arabia will



soon ask for part of the oil payments to be paid in sterling rather than dollars.

A London bullion manager says reports of a change in Arab investment policies have been doing the rounds for some time. He says the market movements which have followed them have been logical. Following the sterling crisis last year the dollar was the sole reserve currency in the world.

The decline in the dollar has forced investors into alternatives.

Governments are also in a quandary as huge funds shift into currencies, whether sterling, Swiss franks or marks.

Over the past year the British Government has been trying to unwind foreign governments' sterling balances and to reduce sterling's world trade financing role.

Developments will be interesting once central banks are allowed to deal freely in gold at market-related prices. This will happen once the ratification of the second amendment of the International Monetary Fund articles of agreement is complete. It will take effect around February.

In Washington, the Federal Reserve Board chairman, Dr Arthur Burns, said the Fed "will continue to devote our energies to the maintenance of a strong dollar, a dollar that is strong both at home and abroad."

Dr Burns, testifying before the Senate Banking Committee, said the objective of the Carter Administration and the Fed was to achieve a better price performance, but this was not being helped by the recent depreciation of the dollar against foreign currencies, reports Reuter.

Argus 11/11/77

DOUBLING OF U.S. DEMAND FOR GOLD FORECAST

X

77

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 US investor demand for bullion and gold coins would double by 1980 from its expected 1977 level of 4,5-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-Reuter 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 in New Orleans to the National Committee for Monetary Reform.

Senator O P F Horwood, 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 foward 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.

SUNDAY TIMES, Business Times, November 13, 1977.

Arab cash leads shift into gold

By Neil Behrmann

LONDON. — Sharp fluctuations of sterling and unconfirmed reports that the Saudi Arabian Monetary Agency (SAMA) was reviewing its investment strategy have had a very favourable effect on gold over the past two weeks.

Foreign exchange markets have been awash with rumours on what Saudi Arabia and other oil-producing nations will do with their spare cash, following the erosion of their dollar investments. SAMA is estimated to have between $50-billion and $60-billion in short-term US securities and deposits.

Rumours

There were strong rumours, which were subsequently denied by the Saudi Arabian finance minister, that some of this cash would be switched into sterling. It was also denied that Saudi Arabia intended receiving sterling instead of dollars in payment for some of its oil.

Prior to the denials, foreign exchange dealers were prepared to accept the rumours. They felt that it was logical that the Arab nations would shift funds from dollars to sterling.

The dollar is declining because of the huge American trade deficit which has arisen because of heavy oil imports. Britain, on the other hand faces a huge surplus because of future North Sea oil revenue.

A bullion manager of one of the large Swiss banks pointed out however, that increased investment by Saudi Arabia into sterling would not be welcomed by the British authorities. For the moment, the Bank of England and the Treasury are trying to stem the inflow of foreign money, which is expanding the money supply and is inflationary.

Sterling

The Swiss banker noted that Arab investors had placed more funds into gold during the past few weeks. When sterling tumbled on fears of confrontation between coal miners and the British Government, Swiss bankers sold some of their clients' holdings of sterling.

They used some of this cash to buy gold.

Reports that Saudi Arabia would change its investment policy encouraged other Arab investors to buy gold too. The banker stressed that the buying came from private, and not official sources. But he said several central banks had intimated that they intended buying gold.

The banker estimated that central banks would be able to deal freely in bullion from around April next year. This would happen once the amendment to the IMF Articles of Agreement is ratified. He felt that the banks would deal among themselves. The United States for instance, would sell its gold for dollars: but the transactions would be direct and would not take place through the free market.

Once the central banks are allowed to deal, the market would probably stabilise. But the banker expects it to rise to an even higher level — more than 170 dollars by the end of the year. He banker felt that it was unlikely that the price would be knocked back because the banks would want to protect their assets.

David Fitzpatrick, gold analyst of Merril Lynch, felt it was early days yet. He felt that both the pound and gold would go higher.

"The arithmetic is simple," he said. "Long-term US bonds are yielding eight to nine per cent, while UK long-term gilts are yielding 11 to 12 per cent.

Interest

"With interest rates likely to go higher in the United States, investors face capital losses, so it pays them to switch into sterling securities where long rates could well fall."

Dollar Eurobonds have fallen sharply in recent weeks because the market is scared of rising US interest rates; proceeds of these investments could shift into bullion too.

79

79

ONS KAN WEER GOUD RUIL

Sake-Rapport 13/11/77

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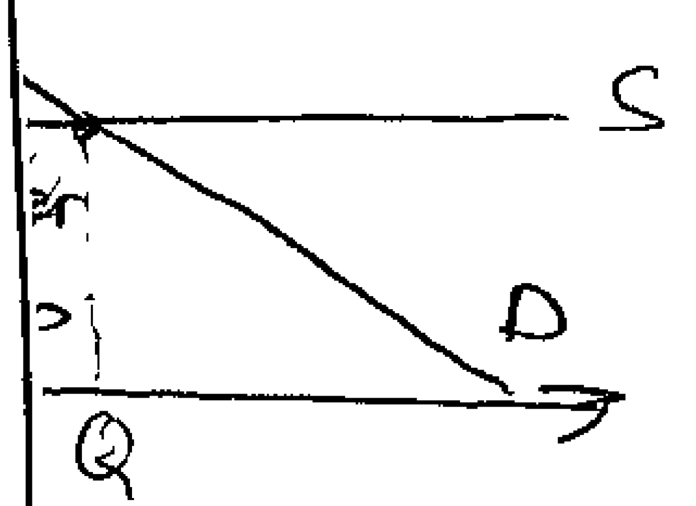

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Ná die verdere daling van R18 miljoen tot R682 miljoen in Suid-Afrika se bruto buitelandse reserwe gedurende Oktober, is daar nou die moontlikheid van 'n verdere goudruiltransaksie.

Die bruto buitelandse reserwe bestaan nou uit net minder as R400 miljoen se buitelandse valuta en 'n goudreserwe van R286 miljoen, gewaardeer teen die statutêre prys van R29,55. Teen die huidige goudprys van 167 dollar per ons is hierdie goudreserwe R1 405 miljoen werd.

Suid-Afrika se bruto buitelandse reserwe is steeds onder druk en in sy jongste presidentsrede het dr. Bob de Jongh van die Reserwebank aangedui dat dit nog 'n geruime tyd so sal bly.

In knyp

Hierteenoor het Suid-Afrika 'n baie gelukkige ondervinding gehad met sy vorige drie ruiltransaksies van goud. Die terugkoopprys van goud vir hierdie drie transaksies wissel waarskynlik tussen 120 en 140 dollar per ons.

As Suid-Afrika in daardie stadium toe hy lelik in die knyp was hierdie goud regstreeks verkoop het sonder die reg op terugkoop, sou daar nou 'n aansienlike verlies gewees het.

Of anders gestel, die reg op terugkoop lewer nou soveel wins dat ons inderdaad daardie R600 tot R700 miljoen rentevry geleen het. Die man wat hierdie transaksie ontwerp het, verdien werklik 'n pluimpie.

Lae kant.

Op die oomblik is die gelddeel van ons buitelandse reserwe weer aan die lae kant en om nou 'n verdere ruiltransaksie met R100 miljoen se goud te doen, sal R470 miljoen se nuwe geldreserwe skep, terwyl die goudreserwe met R100 000 miljoen sal daal.

Dit sal soveel ruimte skep dat Suid-Afrika selfs nou al beleid van die suiniger bemarking van goud kan volg. Deur net 10 persent van ons weeklikse goudproduksie terug te hou, kan daar al weer stadig begin word met die opbou van hierdie reserwe. Dit behoort terselfdertyd 'n gunstige uitwerking op die goudprys te hê.

Die wins wat hieruit kan spruit, kan al weer byna die rente op so 'n ruiltransaksie betaal.

AR FN

Sake-Rapport 20/11/77

Ons verloor eintlik

(79)

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 wêreld nie. Dit is 'n regstreekse gevolg van die swak dollar en die goudprys staan in werklikheid nou in terme van die sterker geldeenhede op 'n heelwat laer vlak as agt maande gelede.

Hierdie ruilvoetposisie van Suid-Afrika het ook die afgelope week verder verswak met die taamlik sterk daling in die goudprys.

Die hoër randinkomste wat vir goud ontvang word, het wel nog 'n gunstige uitwerking op die inkomste van die myne. Maar die buitelandse-valuta-waarde daarvan is nou vir Suid-Afrika laer as die styging van sy invoerkoste van die lande met sterker geldeenhede.

Hierdie verskynsel verklaar ook gedeeltelik waarom ons goudaandele selfs teen die hoër goudprys nog nie nuwe aantreklikheid vir buitelandse beleggers het nie. Omdat die rand aan die dollar gekoppel is, bly dit 'n swak geldeenheid en ontmoedig dit nuwe belegging in dié geldeenheid.

Dit verklaar ook deels die daling in die waarde van die effekterand wat vandeesweek teen 72 dollar per R100 verhandel het, of 'n diskonto van 38 persent teenoor die amptelike wisselkoers.

Die tabel hieronder toon wat met die prys van goud in 'n paar ander geldeenhede gebeur het sedert die einde van Maart vanjaar.

Die skerp styging in die waarde van die jen het veroorsaak dat die goudprys in terme van dié geleentheid nou meer as 5 persent laer is as agt maande gelede. Ongeveer dieselfde het gebeur met die goudprys in Switserse frank.

Ook in die geval van die Duitse mark en die Britse pond is goud nou goedkoper as agt maande gelede.

Hierdie daling in die waarde van goud behoort weer 'n gunstige uitwerking te hê op die beleggings en nywerheidsvraag na goud van hierdie lande. Vir hulle word die metaal al goedkoper.

Dit is egter te betwyfel of dit op die kort termyn die negatiewe uitwerking van die 6,25 miljoen ons goud wat nou deur die IMF aan sekere lidlande teruggegee is, kan neutraliseer. Die kanse is baie goed dat 'n groot deel van hierdie goud oor die kort termyn op die mark aangebied sal word.

Dit is slegs enkele van die ryker lande wat tans betalings-balans-oorskotte het en die versoeking moet vir baie ander lande groot wees om hierdie ‚geskenk' van die IMF op die vrye mark aan te bied. Veral Portugal, wie se aansoek om hulp van die IMF onlangs afgekeur is, moet 'n potensiële verkoper van goud wees.

GOUDPRYS IN 'N PAAR BELANGRIKE GELDEENHEDE.

Maand	Dollars	Pond	Duitse mark	Switserse frank	Jen.
Maart	153,55	89,26	366,8	390,7	42 568
April	147,25	85,65	346,3	370,2	40 879
Mei	144,40	83,99	340,4	361,4	40 013
Junie	142,55	82,90	333,7	351,5	38 175
Julie	144,10	82,91	329,3	346,4	38 385
Augustus	145,0	83,20	355,9	346,8	38 780
September	154,0	88,10	355,5	361,3	40 240
Oktober	161,20	87,30	361,3	359,2	40 098
November					
Hoogtepunt	167,50	93,16	378,86	372,80	41 429
Huidige	158,65	87,31	356,80	350,46	39 186

Ons sê . .

20/11/77

WANNEER die waarde van die wêreld se grootste geldeenheid 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 produsente 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 denkrigting 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 geldeenheid daaraan koppel.

Bus. NM 18/11/77 (79)

Gold pushes prices up

JOHANNESBURG – Gold shares were firmer on the Stock Exchange reflecting bullion advices, dealers said. Trading was thin with interest mostly on local account, although there was some overseas interest. Shortly before the close the

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 minings were quietly firmer in line with producers. Anglos gained 11 cents to 473 while Gold Fields gained 10 cents to 1 630. Elsewhere, De Beers changed at 535 cents (528).

Metal markets were higher in line with the gold sector. Gains outnumbered losses by 2,5 to one. Coppers were up to 15 cents higher while platinum shares were around five cents up.

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.)

Gold value heads for quarterly high

By HOWARD PREECE
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 R714-million achieved in the last quarter of 1974.

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 this quarter of 1977 in rand terms because of the change in the rand-dollar exchange rates during the two periods.

Gold production last month was 1 901 028 oz. The average daily price was about $159.

At the present exchange rate of R1 equals $1,15 the rand price of gold was averaging about R139,62 last month.

That gives a value for gold output in October of around R263-million.

For November so far the gold price has been rotating at a higher average level than in October in spite of the setback in the past few days.

At the moment it would certainly seem reasonable to project an average price of $159 for November and December.

But even an average of $155 would do.

In November and December last, gold output totalled 3 689 644 oz. In the 10 months to October this year it was 18 779 153 oz compared with 19 098 511 oz in the 1976 equivalent.

It is possible, therefore, that output in the last two months of this year will continue to reflect a modestly 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 3 600 000 oz.

Even assuming an average gold price for these months of no more than $155, that would give a value for gold output of about R485-million for November and December.

Add that to the approximate value of R263-million for October and that would give a total for the last quarter of 1977 of R748-million.

That is R34-million more than in the last quarter of 1974. It can be seen, therefore, that it would take some extraordinary upset 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 convertible at around $1,41 equals R1.

Now it is down to $1,15 equals R1. That means that dividends need to be more than 20% 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

RDM 24/11/77

79

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 $158,50 in the morning. Tuesday's second fixing was $156,15.

In early afternoon trading yesterday, gold rose to $160 and $160,50.

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 $159,25/160, 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 $146-million — a large intervention, far surpassing Tuesday's purchase of $30-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 2,2280 marks.

SUNDAY TIMES, Business Times, November 27, 1977.

Krugerrands demand hitting peak levels

STRONG DEMAND for more than R90-million worth of Krugerrands this month from overseas investors threatens to create a shortage of the coins next month when the South African Mint closes for its annual four weeks Christmas holiday.

By JEREMY WOODS

"If demand continues at present levels, we could run out of Krugerrands by January," Donald MacKay-Coghill, manager of Intergold, the Chamber of Mines marketing organisation for Krugerrands, said on Friday.

The Mint, which is closed from December 2 to January 3, manufactures South Africa's Krugerrands.

Shut-down and start-up operations are expected to affect production of Krugerrands for six weeks.

The Mint is totally closed during the Christmas holiday period for security reasons.

Krugerrands stocks are normally built up ahead of the closure of the Mint and the anticipated seasonal rush for the coins.

But this year investment demand for the coins has left stocks already sadly depleted.

On the first two days of November, Intergold received orders for 145 000 Krugerrands. Approximately 550 000 Krugerrands have been sold so far this month.

This will make November the best month for Kruger**rand sales since April, 1975, when 540 000 coins were sold.** Then the gold price was trading in the $160 area.

A year ago, in November, 1976, 453 000 Krugers were sold ahead of Christmas. Gold then stood at about $120 an ounce.

These figures exclude local sales of Krugerrands which **are currently averaging about 10 000 a month.**

The best ever month for Krugerrands was in Novem**ber, 1974, when 633 000 were sold.**

The gold market was extremely nervous earlier this month when the bullion price fell from $169 an ounce to $155 at one stage, as the Bank of Dresden off-loaded around 14 tons of gold onto major international markets. Some experts believe the bank, which often deals on its own account in the gold market, was simply taking profits on a long bullion position.

However, the price recovery to just under the $160 level and the big demand for Krugerrands has left many commodity dealers bullish on bullion price prospects for the new year.

Earlier this month, the Chamber of Mines warned that a Krugerrand shortage could possibly develop.

A statement on the heavy demand at the beginning of the month said, "such demand is reminiscent of the record months of late 1974 and early 1975 when Intergold was unable to meet the demand for coins.

"In the light of available stocks and the extended seasonal closure of the SA Mint over Christmas, the possibility exists that demand could once again exceed supply."

79

DD. 29/11/77

Gold board confident after hesitant start

(79)

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 wags 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 463,6. — DDC.

A. Various sources of loan finance

Domestic (1) Public debt commissione
- kind of financial int
- main holders of long-t
- function

(2) Other holders of long-te
- insurance companies -
- other private financia (non-banking)

(3) The Banking Sector:

(a) Commercial banks - government stock ar
- legal minimum res[erve 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 capitve 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)

DD 1/12/77 (79)

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Golds sweeten music on Hollard Street

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Don

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 easier opening 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 platinums 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. Industrials 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 535c, a rise equivalent to R32 400 000. Anamint gained another 25c.

Palamin shed 25c to 725c while Messina eased 5c in coppers and Samanco remained on the downtrend in manganese, losing 5c.

The antimony and asbestos counters were static. Randfontein, Buffels and Harties gained in the 25c to 35c range while Freguls 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.

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- other private financial in (non-banking)

(3) The Banking Sector:

(a) Commercial banks - shor government stock and Tr - legal minimum reserve

(b) Reserve Bank - hold app ... ock
- keep dep ... stabilization account.

(4) Loan levies - the tax paying public.

Foreign (5) Overseas capital markets.

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B. Major types of government accounts

(1) Revenue

(2) Loan

(3) Exchequer (= Revenue plus Loan plus SWA plus Bantu Education)

Gold quiet, firm

RDM 1/12/77

(79)

LONDON. — The price of gold rose to \$160,05 at the second fixing in London yesterday after being fixed at \$159,80 in the morning. Tuesday's second fixing was \$159,20.

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 \$168 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 metal 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. — S

Star 8/12/77 (79)

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 62m dollars for the IMF's trust fund, bringing to 964m dollars the amount of money raised so far through the auctions.

Bids totalling 1,11m ounces for the 525 000 ounces offered were received. This compares with 1,35m ounces at the November auction where the price fetched was 161,86 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 under which 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. — Sapa-Reuter.

DD. 10/12/77

(79)

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 run-down 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 Murch, 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 uptrend 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 525c.

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, engineerings, sugars and tobaccos (on results) looking much healthier.

In London, Government bonds were actively firmer, showing gains of up to ¾ 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 1⅛ point while lower priced issues eased up to 25 cents. Financials eased in sympathy losing up 20p.

In Salisbury, trading on the Rhodesian Stock Exchange was at a slightly reduced level yesterday, but the recent firm undertone was well maintained. — DDC-SAPA-RNS.

Star 12/12/77

UK brokers see gold at $215 by end of 1978

(79)

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 130 dollars range, Messel predicted a strong improvement to produce a 1977 average of about 150 dollars and a year-end price of 170 dollars.

Messel's estimates for demand in 1977 put jewellery at 900 tons (down from 936 tons); coins at 175 tons (219 tons), manufacturing at 210 tons (204 tons); and investment-speculative net buying at 105 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 1 900 m dollars.

This compares with 2 654m dollars (R1 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 this 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 reflation in the "lead" economies were the main factors in the regeneration 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 discussing 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.

Gold steady in thin trading

KDM 13/12/77

(79)

LONDON. — The price of gold was steady in London yesterday. It was fixed at $158,80 in the afternoon and at $158 in the morning.

Last Friday's second fixing was $158,55.

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 2,20 — dropped from 2,1950 marks to 2,1825. In Zurich it went from 2,1380 francs to 2,1312 and in Amsterdam it dropped from 2,3690 guilders to 2,2610.

In Paris, the dollar fell from 4,8355 to 4,8340 and in Brussels it fell from 34,575 francs to 34,40.

The pound rose, going from $1,83 to $1,8335 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.

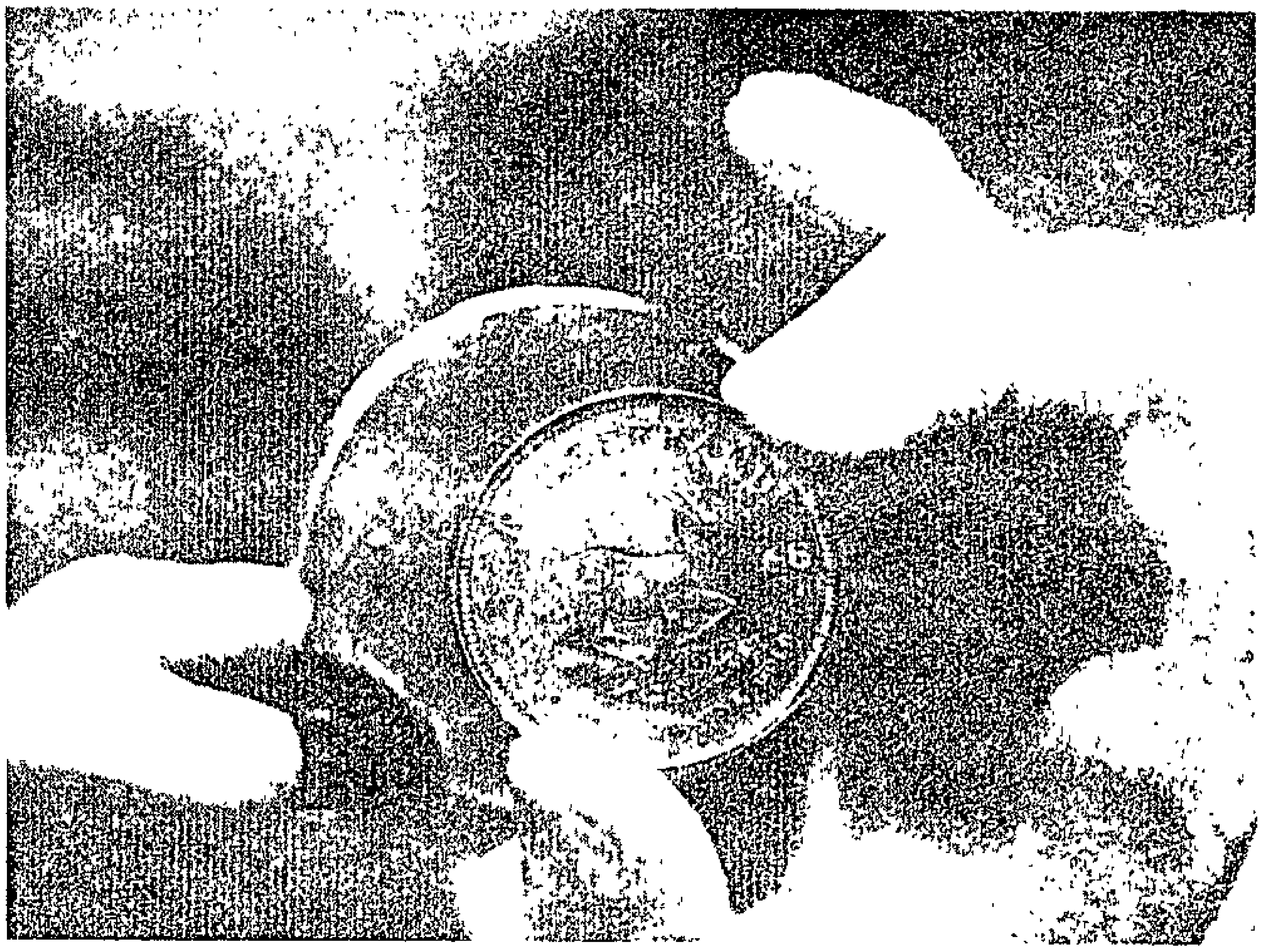
The yen traded around 242,40/55 to the dollar compared with 242,50/65 previously.

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 Sunao 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 Nobuhiko Usuiba, flew to the United States to explain. - Reuter.

1968 "frosteds" are the most valuable ... but still need expert evaluation

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 containes one troye 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 troye ounce of pure gold.

On the obverse is a head of Paul Kruger, and 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 Groenewald.

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.

Spots before Kruger's eyes mean . . . a lower market price

UNCS 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 t 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 Groenewald. 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 die, they are inspected through a magnifying glass. If they pass muster, they are packed 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.

If it's a Proof Krugerrand . . . keep those sticky fingers off

PURCHASING PROBLEMS

Profits for possessors

Last year, the Mint struck almost 3m 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.

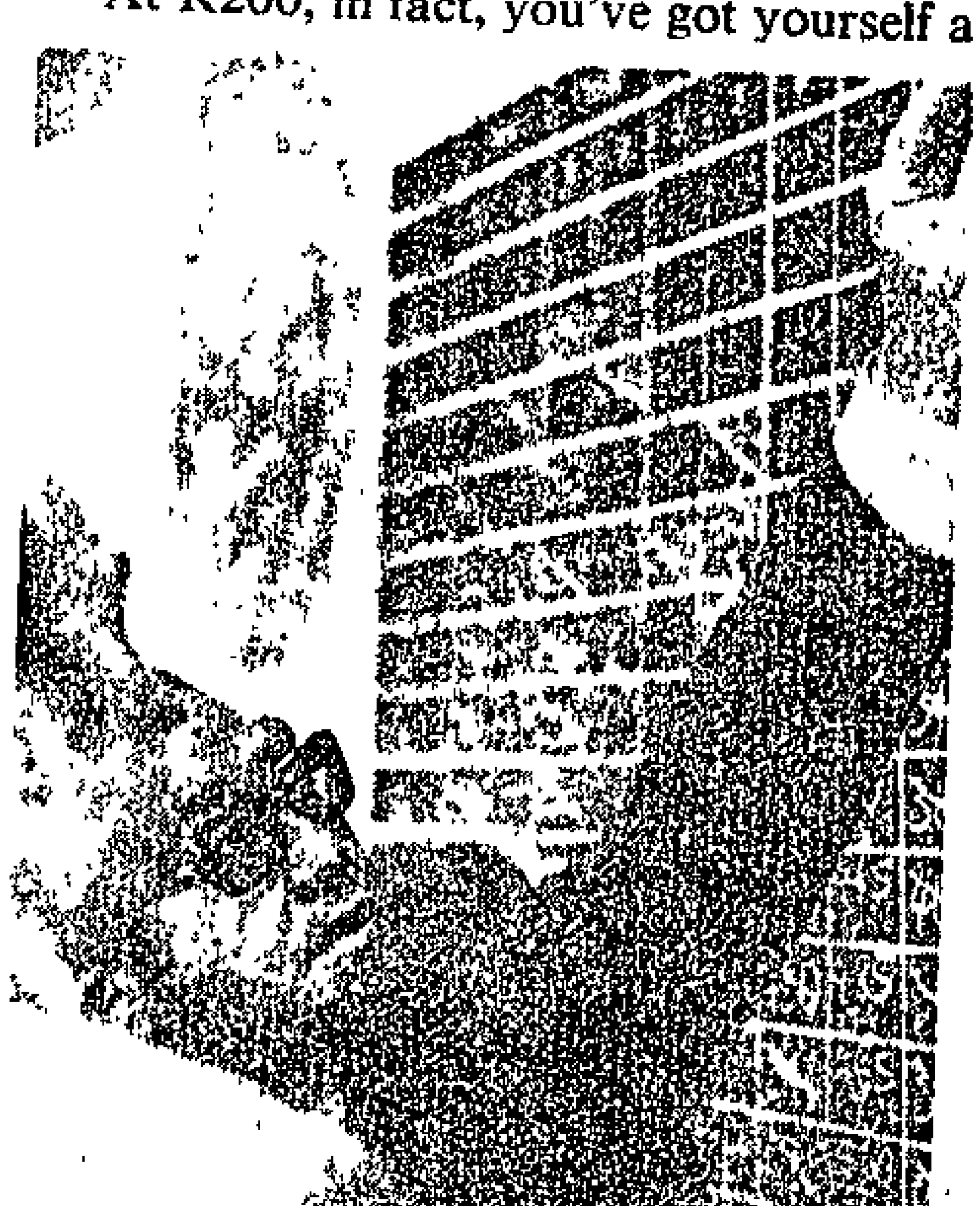
It's even worse for Proof Krugerrands. To get one straight from the Mint, you have to be on its list of proof coin collectors. Though the list has been allowed to grow by about 10% a year as the Mint's capacity to strike proof coins increases, it's only very recently that the Mint managed to wipe out 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 rations 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 nothing 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



SAGCE chairman Levine . . . catalogue prices are only an indication

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 coins struck during the same year.

Previous owners may have increased these differences by damaging the coin. It needn't be noticeable to the naked 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 rands. 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 handed 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 buying and selling Proof Krugerrands without really knowing what they're dealing in.

Clearly, it's no good having a coin evaluated unless you can prove the outcome. That's why SAGCE issues a certificate 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 measure and indicate its evaluation. It works rather like an IQ test. That is, the evaluators 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, conversely, 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. Alternatively, 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 sophistication. 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.

SAGCE-evaluated Proof Krugerrands . . . basically, it's a numbers game

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 Krugerrands struck 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 rands, 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 "frosteds", 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 unusually 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 highest quality coins you can afford, don't scratch them, and store them safely.

ARGUS 4/1/78

4/1/78

(79)

FINANCE

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 slumping 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 1,9075 francs and by 1,2 percent against the German mark, Japanese yen and British pound.

By lunchtime the dollar had fallen to 2,20490 marks and 237,00 yen and had reached 1,9890 (R1,73) to the pound.

TOO QUICKLY

Bullion dealers said 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 bite on the economic bullet than it has in the dollar,' said one analyst.

On the London Stock Exchange, meanwhile, spectacular gains were seen in gold shares such as Free State Geduld, up from 16,75 dollars to 19 dollars — a jump of 13 percent over the New Year holidays — and Randfontein, up from 43,375 dollars to 45 dollars.

Even shares which went ex-dividend swiftly recouped and rose. East Driefontein, ex dividend of 49,5 cents (US), rose from 9,12 dollars to 9,20 dollars.

Gold price

GOLD fixings in London were:

	Dollars an ounce	Rands a kg
Today:		
10.30 am	172,50	4 822,65
Yesterday:		
3.30 pm	169,20	4 730,39

Kruger rand

KRUGER rand today: Banks: sell R168,90 (R165,27).

Cape Gold Coin Exchange, buy R176, sell R190.

Share volume

JOHANNESBURG. — Shares traded on the Johannesburg Stock Exchange yesterday totalled 1 353 337, valued at R3 787 126 (888 320 shares valued at R1 733 179 on Friday).

Five most active stocks: Ergo, AECI, Grootvl, Santam and Elsburg. — Sapa.

SAR 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

LONDON. — Daily sugar price: Raw £107, white £111.—Sapa-Reuter.

Rand today

THE rand today was worth:

US dollars	1,15 (1,15)
British pence	58,4646 (59,9114)
French francs	5,2947 (5,4053)
Swiss francs	2,1999 (2,2897)
German marks	2,3702 (2,4121)
Italian lire	994,809 (1 000,870)
Dutch guilders	2,5684 (2,6065)
Japanese yen	272,900 (275,779)
Norwegian Krone	5,8001 (5,8944)
Belgian francs	37,0968 (37,6452)

Source: New York closing rates.

Quick reaction to dollar rescue bid

Gold falls, rand rises

STAR 5/1/78 (79)

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 4,6 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 swings because of a new downward

Much of the momentum to recent higher bullion prices has been due to the extreme weakness of the dollar, in which currency gold is quoted.

Welcome

There was initially virtual panic on world bullion and currency markets, but there was a steadying by early afternoon. The dollar showed signs of stabilising after a burst of big gains, and bullion held at around 166 dollars.

The R22 000-million was freed by the US Treasury and Federal Reserve Bank to use in intervention action on currency markets to defend the dollar against speculators.

The programme was agreed as the US dollar toppled to its lowest levels yet in its exchange rates with the West German mark, Swiss franc and Japanese yen.

South African monetary authorities warmly welcomed the news as the rand has been dragged down in precise step with the dollar because of the link between the two currencies.

IMF — 19 bids succeed

Star 6/1/78

19

WASHINGTON — The International Monetary Fund said 19 bidders were successful at its gold auction on Wednesday when it sold 524 800 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 Luxembourgoise 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 Newsport 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 Cemical 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.

Boosting of dollar may not last

Gold price up again

STAR 6/1/78 (79)

Michael Chester ~~and Kevin Stocks~~

The gold price today bounced back higher as doubts spread about the US dollar sustaining a climb on currency markets.

The fixing by the main bullion dealers in London — the principal trend setter — put gold at 168,90 dollars, or more than 3 dollars higher than the previous fix yesterday afternoon.

The increases wiped out most of the losses suffered yesterday when the gold price dipped as low as 165 dollars in the wake of Washington moves to commit R22 000-million to halt the slide of the US currency.

Rand up

Despite doubts over the effectiveness of the American [illegible] exchange quotations [illegible] Johannesburg today still showed the rand to be well up in value.

Since the American action, the rand, on today's prices, has appreciated 3,13 percent against sterling; four percent against the German mark; 6,2 percent against the Swiss franc and 1,5 percent against the yen.

If the American move to support the dollar succeeds in pushing it to higher values the advantages of the low price, such as putting up the gold price, aiding exports and curbing imports, will fall away.

There are strong doubts, however, that the American action will have a major long-term effect.

In Chicago, international monetary market gold traders said today they are still more optimistic about gold than about the dollar.

Consequences

If a higher dollar does eventuate, it will have the following consequences for South Africa:

- Exports sold in terms of currencies other than the dollar will be more expensive and therefore harder to sell.
- Imports paid for in dollar terms (including oil) will not be affected. The substantial part of our imports paid for in other currencies; particularly yen, deutschmarks, Swiss and French francs and sterling, will be cheaper in rand terms.
- Gold — the gold price will not rise as quickly.

A Barclays Bank expert pointed out that although it might have seemed to be to South Africa's advantage to have the dollar continue to slide this was illusory. It could only lead to chaos and to world depression.

● See Page 15.

Gold rises, dollar takes slide

Star 7/1/78

79

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 2,1340 marks (2,1560 overnight) and 2,015 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 1,923 dollars (R1,67) from 1,8880 dollars (R1,64).

Bullion rose quickly from its overnight price of 166,125 dollars to 168,90 dollars yesterday morning, closing at 170,25 dollars, as 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, 1975.

Cape Times 11/1/78 (79)

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 Reuter 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 into 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 $166,25 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.

Kruger rand. — 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). — Reuter

Golds firmer

JOHANNESBURG. — Golds closed firmer in moderate trading following the higher gold fix.

Among heavyweights Randfnt gained 150c. However, West Holdings shed 155c Elsewhere, gains were in the 10 to 35c range.

Financial Minings were harder in line with producers. GFSA was up 100c while Amgold was 15c higher.

January 18, 1978

Business Mercury

(79)

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 Hartebeestfontein mine and, in addition, make up for the lack of uranium profits.

The same factor was instrumental in boosting the performance of Loraine 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 225kg 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 614cm g/t gold and 24,16cm kg/t uranium.

Despite Loraine'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 752m was sampled with a yield value of 1 152cm 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 compared with 6,4 g/t, gold production was lower at 535kg against 549kg.

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 R479 000 from R396 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 766m was sampled showing a value of 1 978 g/t.

Copper/sinc producer, Prieska, 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 R363 000 in the previous quarter.

Gold assault defeated says Oppenheimer

Cape Times 21/1/78

79

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 ... 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 create a greater number of skilled workers. These would have to be black.

The application of economic sanctions against South Africa would prove extremely serious, but gold, diamonds and platinum would be less vulnerable than most commodities.

Gold to average $182 — expert

22/1/78 (79)

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 30% of the Republic's production available for fabrication, the price should continue to rise through to $185."

He anticipates that the 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 hedging 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 stabilising the price."

Gold fortune-tellers

SUN. TRIB. 22/1/78

(79)

By JOHN CAVILL

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 175.50 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 showing no rise in Swiss francs, a gain of only one percent in Japanese yen and nine percent in Deutschemarks), needs to 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 oculd happen if there was a spectacular flop on Wall Street," he said.

At London brokers, Messel 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

79

SAKE-RAPPORT 22/1/78

IN Brittanje is daar nou groot optimisme dat die goudprys baie binnekort tot die kerf 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 metaal 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 faktore wat nog altyd beleggers na goud gedryf het.

Leith McGrandle, finansiële redakteur van die Londense Evening Standard, het vandeesweek redes aangevoer waarom hy meen goud gereedlyk om die 200 dollar-kerf te bereik. Hy sê afgesien van die wankelrige dollar word die goudprys ook opgebeur deur die vooruitsigte dat die sentrale banke binne die volgende paar maande in staat sal wees om vryelik in die goudmark sake te doen.

'n Ander faktor is dat die sentrale banke, veral dié van Japan, die goudinhoud van hul reserwes sal vergroot, aangesien die informele reëlings om dit nie te doen nie, aanstaande maand verval.

'n Verdere teken van die hernieude belangstelling in goud is die verskerpte toename in die handel in Chicago en New York. Die Amerikaners, wat erg bekommerd oor die dollar is, begin om sommige van die aantrekkingskragte van goud te erken, skryf McGrandle.

ARGUS 24/1/78

79

Gold at 34-month peak

The Argus Financial Staff

THE price of gold continued its upward climb on world markets today, rising 1,90 dollars to 177,10 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

ARGUS 24/1/78

(79)

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 42,22 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 onwards, lose what force they might have had.

In fact there is speculation 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 [illegible] now held by its [illegible]

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 175,80 dollars an ounce.

Gold prices bounce while dealers beam

MD 25/1/77 (79)

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, Elsburg 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 9c range.

Cons Murch came off 5c to 530c. Gefco and Msauli were off the top to close unchanged on Monday.

Durban Deep and ERPM featured in the Witwatersrand sector with gains of 95c and 60c on hopes of development prospects at the current gold price level.

Freguls made the biggest absolute advance of 100c, Vaal Reefs, President Brand and West Drie gained 75c while Randfontein, Winkels, Libanon, 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 Nigel is sharing on the boom, being bid up 9c to 101c.

Ergo was off the top, cutting the gain to 2c.

Amgold advanced 100c, GFSA put on 75c, Johnnies rose 50c and Unicorp firmed 15c.

Jabula and Monis moved sharply higher in foods, Remb Beheer and Remgro came off in tobaccos, probably on creation of securities rands to buy gold shares.

The firming 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 5/8 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 UK minimum lending rate on Friday had little effect on trading, dealers added.

Equities drifted lower and at 15h00 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.

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15. Aantal afhanklikes (ges[illegible] wie werker moet sorg) ... êrens anders vir

3 4 5 6

(a) Name (eerste name alleenlik)

(b) Verwantskap aan werker

(c) Ouderdom

(d) Geslag

(e) Woonplek

(f) Skooljare voltooi

(g) Nou op skool?

(h) Skool (naam, soort, distrik en afstand van plaas)

(i) Werk wat vir boer gedoen word (b.v. gedurende skool vakansies)

(j) Jaarlikse [illegible] gewerk (dae of weke)

(k) Jaarlikse [illegible] kontant

ander

NO PANIC OVER GOLD

Sunday Tribune 79 12/2/78

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 deutschemarks, 1,96-1,98 Swiss Francs and 240-242 yen.

"It means there has not been anything to go for as 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

79 3/2/78

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 illustrate this 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 Kruger 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 in July 1974, to limit the home market in favour of overseas Kruger sales, is of obvious benefit to the balance of payments, and Intergold's success in flogging Krugers benefits us all. The object, here, is to examine the way our limited supply of Krugers is first distributed, and later marketed.

The big scramble for Ergo . . . will there ever be such a scrum for Krugerrands?

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 1974 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 lottery. 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.

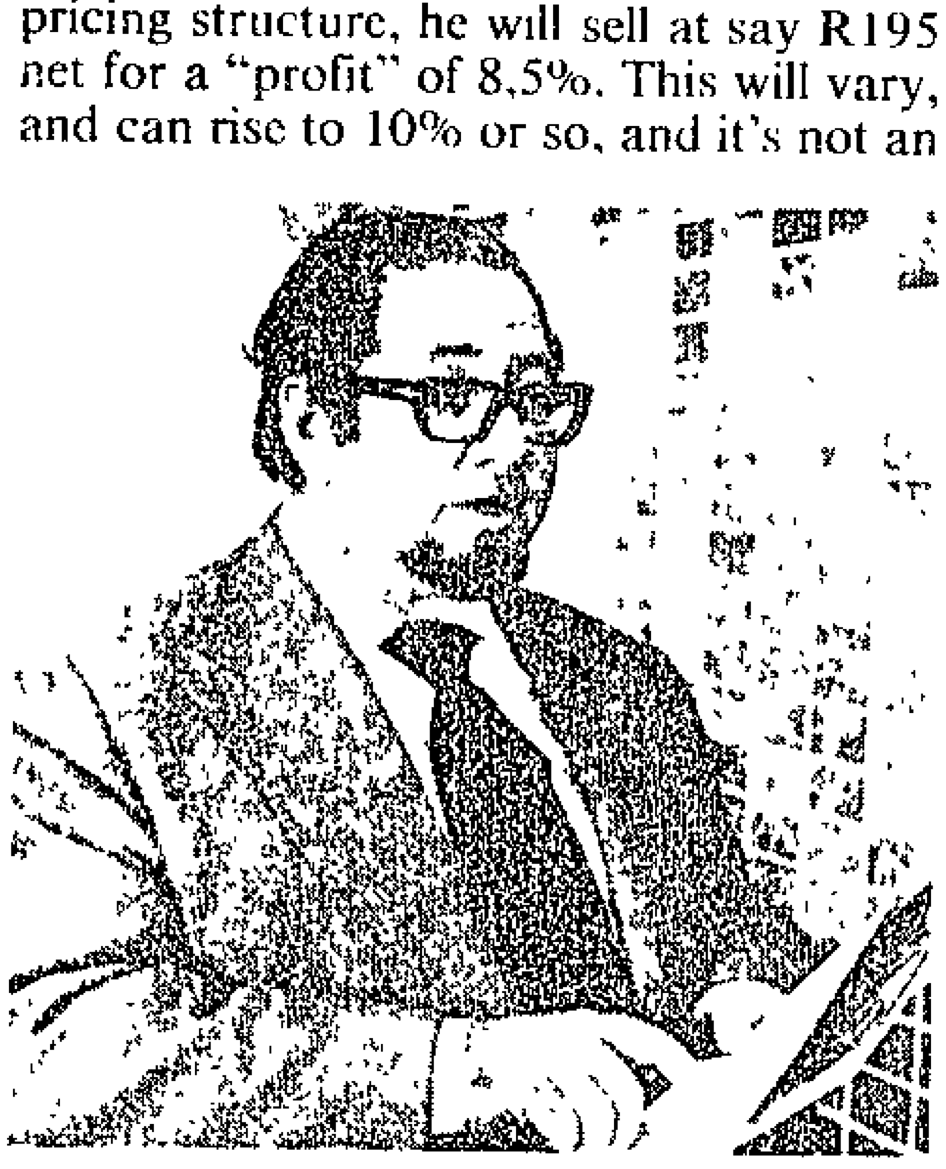
None of the country's dozen or so coin exchanges, or the major coin dealers, gets a look in — they trade in the pool of coins that exists after the banks have made their distributions.

For this less than onerous task (all they have to do is inform top-of-the-list customers that a coin is available, and hand it over) the banks get a 5% commission on the base price set every Thursday by the Chamber of Mines. That's the mean of the London fixes that day, to which the Chamber adds a whacking 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). Once the artificial shortage was created, the Chamber and the banks upped their (monopoly) charge to 15% — and repurchases are no longer guaranteed but are subject to negotiation and could be below gold.

When the coins are in private hands, then people want to be able to sell — and buy. The best known markets are those conducted on an agency basis by dealers. These coin exchanges, of which the South African Gold Coin Exchange (SAGCE) is probably the biggest, operate very much as a stock exchange. To quote from the SAGCE'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 Kruger 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 $234 before he shows a profit. And Eli Levine's company would pocket R12 for a 6% commission on the board price.

Other dealers operate as principals, and here Harold Sackstein's Coin Exchange in Johannesburg is taken as our 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 pricing structure, he will sell at say R195 net for a "profit" of 8,5%. This will vary, and can rise to 10% or so, and it's not an out-of-the-way return considering that he's laying out capital, and that capital is at risk to the vagaries of the bullion price.



SAGCE's Levine . . . the more the merrier

Other big dealers are Bickels (wholly owned by Volkskas and reckoned number two in the trade) and Alex Kaplan; while the bigger exchanges include Carlton Coin and Rosebank Gold in Johannesburg, Pretoria's Gold Centre, Durban's Natal Gold Coin, and in Cape Town, Cape Gold, Krugerrand Exchange, Bullion Exchange and City Coins. All operate on bases similar to those cited.

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 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 of three to five coins, with up to 25 available at R193. By comparison, the SAGCE that day had about 200 coins on offer at prices ranging from R187 to R204. The big difference, however, was that the JSE brokerage charge was only R1 per coin, while the SAGCE buyer, possibly at a higher price, would have had to stump up that additional R6.

Most coin dealers regard the JSE's competition as unfair. As Sackstein puts it: "I'm not here to sell stocks and shares, why should they climb 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 artificial (it could absorb, he reckons, 40 000 to 50 000 Krugers a month, against the supply of 8 000), he regards current 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 soap next," said one irate dealer.

WHAT PRICE KRUGERS?

Gold: $175 = R152

Krugerrands to buy:		% premium on gold:
SA banks	R175	15
SAGCE	*R197	29
Coin Exchange	R195	28
JSE unofficial	*R192	26
London domestic £97,50 =	R164,40	7,9
London foreign	$181,50	3,5

** Subject to commission — see text.*

On the other hand, the Krugerrand is very much an investment coin. In many ways, it's as much as 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 Freemantle, is aware of the unofficial market — and would like to see it regulated. "An orderly and regulated market in Krugerrands — that is, in those Krugerrands that are here in SA — would be in the best interests of all concerned," he feels.

A JSE market in Krugers 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 broker to try the unofficial market. Tough on the dealers and coin exchanges, perhaps, but it is their commission structures that make this advice valid.

Star BUSINESS

US-German rift fears boost gold, platinum

14/2/78 STAR

(79)

John Cavill

LONDON — 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 75c US at the morning fixing to 216,25 dollars an ounce, platinum spurted ahead to an afternoon fix of 221 dollars. And it was trading higher as markets closed to show a six-dollar gain from Friday's close.

In the bullion market, gold jumped 1,375 dollars to 176,50 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 across the board against the European currencies. Sterling rose by just over half a cent to 1,94 dollars (R1,687).

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 reflate 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 215 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 here with Chancellor Helmut Schmidt, said the talks were not designed to put pressure on West Germany.

Platinum outruns gold with $7 rise

16/2/78 Business

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 35-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 Salter 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.

In 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.

FINANCE

NEW RAID ON DOLLAR SENDS GOLD TO 180

Argus 17/2/78

(79)

te 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 1,85 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 read as meaning the United States was not making any serious effort to hold the dollar.

A hasty correction by Mr Solomon — 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 179,75 dollars, its highest closing level since March 1975. It opened today at 179,80.

Stockbrokers reported gold shares were off their best levels. "Investors are a bit wary. They are not convinced gold will go through 180 dollars for the moment," said one leading broker.

? Cape Times 24/2/78 (79)

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 Zurch 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 $183,20/182,70, up $2,60 and $2,10.

The West German Economics Minister, Mr Otto Lambsdorff, 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 Lambsdorff 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 world-wide 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 Lambsdorff 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".

He thought West Germany would meet its 1978 economic growth target of 3,5 percent 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.

Unless otherwise stated, all financial news in this issue was compiled by Paul Dold and sub-edited by E V Honeyman.

Gold price moves up

79

Mercury Correspondent 21/2/78

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 deutschemark 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 Kuwait 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 benefiteing 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.

(79) FM 24/2/78

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) European banks. Though the quantities shipped to the US are believed to be fairly small, the new European customers are apparently getting sizeable amounts.

Gold . . . it's not all going to Switzerland and Britain

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 *FM*'s investment conference last November, Herbert Coyne, J Aron's executive vice-president, noted that "SA can now provide one vital support (to the US gold market) — the ability to offer gold bullion bearing that country's mark and shipped directly from SA." As one of the world's biggest dealers in precious metals, J Aron seemed a natural choice to handle the business.

As for the new European outlets, speculation is that Pretoria may be returning favours in the form of loans to SA.

Another winner has been the German airline Lufthansa, which has gained a big chunk of new freight business — not only in Krugerrands, but also gold bars. According to one source, it offers an excellent courier service and attractive insurance rates. Is Lufthansa's coup also a clue to the identity of the Reserve Bank's new European customers?

26/2/1978 Sunday Times (79)

Short-term gold price forecasts 'near impossible'

With gold remaining in the foreground of international monetary news, Jim Srodes in New York and Neil Behrmann in London examine some of the contradictions that have arisen in recent dealings.

By NEIL BEHRMANN

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 mess, 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 Deutschemark 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 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 once allowed to do so. Swiss bankers feel that the central bankers will not deal through the free market.

Missing bullion riddle

By JIM SRODES

THERE'S an awful lot of gold bullion unaccounted for and floating around the US these days.

The Bureau of Mines reports a five-million-ounce gap between the 10-miilion ounces imported during 1977 and the amount used by American industries.

In their latest report, the bureau says industry sharply increased 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 15-m/illion 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, Flavian Zeugan, 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 600 000 ounces, about the size of the amount sold at an IMF monthly auction, that no one can find for the time being.

SUNDAY TRIBUNE, FEBRUARY 26, 1978

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 multi-national 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 organised 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

- 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 multi-national 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 R20 000-million invested in South Africa would abort 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 multi-nationals

Star
BUSINESS

'More gold sales in '78 —but price will rise'

Star 27/2/78 (79)

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, M[illegible]

mand 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 shortall between primary production and supply in 1978 around 4 000 tons.

With little prospect of an overall shortage of supply, prices will [illegible] once more on the [illegible] of investors an[illegible] tors.

Star BUSINESS

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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.

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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 500 US cents level, but the price advance should not extend far even if the threat of stockpile sales is removed. — Reuter.

(79) FM 3/3/78

GOLD

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 Equalisation 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 vault 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 largely?

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*

	1976	1977
IMF	2 822 476	4 455 037
Austria	880 939	2 634 469
BIS	619 263	2 347 604
Switzerland	225 161	1 423 253
Philippines	400 001	30 000
UK	—	59 434
Sri Lanka	—	20 970
Peru	—	26 318
Panama	—	15 407
Jamaica	—	11 340
Mexico	—	5 106
TOTALS	*4 947 640*	*11 028 938*

*Fine troy 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 industrial and investor demand for bullion in the US is not really having a balance of payments effect.

Sagging $

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.

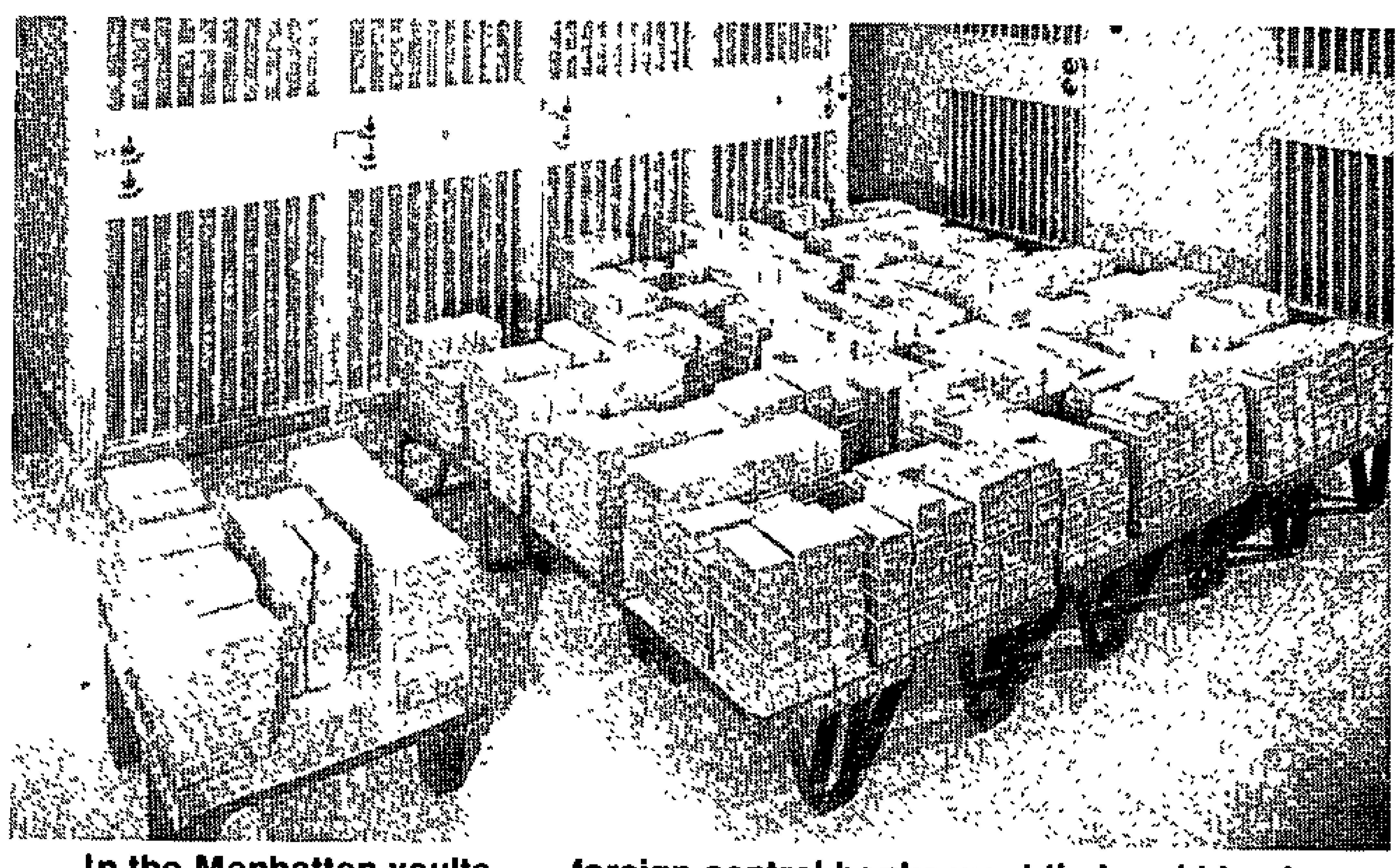
US GOLD TRADE BY COUNTRY*

	Imports	Exports
Canada	1 692 100	222 603
Switzerland	619 510	2 736 746
UK	137 642	3 340 857
USSR	1 410 811	—
Argentina	83 225	—
Yugoslavia	76 437	—
Chile	48 112	—
Japan	18 252	—
South Africa	12 704	—
Mexico	—	105 813
Netherlands	—	102 430
Brazil	—	46 394
Italy	—	14 364
West Germany	—	33 543
Other	115 836	12 332
TOTALS	*4 214 656*	*6 615 082*

* *Fine troy oz.*
Source: *US Federal Reserve Board.*

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.



In the Manhattan vaults . . . foreign central banks want their gold back

Gold sales confound the pessimists

79

5/3/78 Sunday Tribune

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 181,95 dollars because it is usually closer to the London fixing which was 182,50 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 see-saw 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, gold 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.

Star BUSINESS

Higher oil price hint drives gold to a new crest

Star 8/3/78. 79

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 234 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 rand discount narrowed to 27 percent (from 28,25 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 Imirates 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

Cape Times 9/3/78 (79)

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 rand rate 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 26c gain yesterday to 555c on its dividend, and platinums were also marked higher due to the spurt in the free market price.

Industrials tended to drift although Cape share Charmfit was a firm spot.

KRUGERRANDS FM 10/3/78

Tourist gold

(79)

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 KRs 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

Sunday Times
Business
7 12/3/78.

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.

Business Mercury

23/3/78

Gold mining 'revitalised'

79

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.)

DAY TIMES, Business Times, March 26, 1978.

(79)

Big US gold sales likely soon

By JIM SRODES

WASHINGTON. — Substantial bullion sales from the United States' massive gold hoard are "likely any time after the next fortnight and before the middle of May", according to authoritative US Treasury sources.

However, no final decisions have yet been taken by the Carter administration.

The matter is being hotly debated by the President's financial staffers, despite a slackening in US gold imports which might have been expected to reduce internal pressures to offload bullion.

For most of the past two weeks now, aides to Treasury Secretary Michael Blumenthal have been hinting broadly at the impending gold sale of a portion of America's 8,5 metric ton hoard, the biggest such national stockpile and almost 25 per cent of the world's official reserves in gold.

Treasury Under Secretary Anthony Solomon, and others, have deliberately kept the gold sale as one of the Carter administration's options in their limited dollar support arsenal, to the exclusion of currency restraints or the issuing of foreign-denominated securities.

It must be emphasised that no final decision to hold a sale has been taken, but Treasury sources say the in-house debate has progressed to the point where certain facts are already firm:

● Both Mr Solomon and Assistant Secretary C. Fred Bergsten are arguing in favour of the gold being offered for sale with the payment being in German Deutchmarks.

● A series of sales of relatively small amounts of gold is being considered by most of the staffers as the best method. The Americans want to insure that they are not accused of trying to influence the world market price or of interfering with the monthly auctions already being held by the International Monetary Fund. Current thinking is that no more than 200 000 to 300 000 ounces will be offered at each auction with six-monthly auctions to be announced as one series.

● The auction announcement, once the go-ahead is given, could come as early as the next fortnight. This is because, again, of the US wish to avoid interfering with the IMF sales. The fund's first two-year series of auctions ends in May with 12,5-million ounces of bullion still to be disposed of by the agency in the two years remaining.

Fund officials will probably want to review the past series of sales and some Treasury staffers want to have at least one of their own sales completed by then.

These same Treasury officials insist that their objectives in holding a gold sale series really have very little to do with propping up the dollar. Gold is a surplus commodity in the US stockpile and should be disposed of. And because US industrial and investment demand for gold brought in more than 10- million ounces of imports in 1977 — a record — a US sale of its own holdings could help the trade deficit, they argue.

With the somewhat circuitous reasoning that prevails these days at the American Treasury, the Solomon-Bergsten plan to sell gold for Deutchmarks aims more at taking pressure off the Treasury to borrow still more from the $4 000- million swap line Washington has with the Bonn Government, and less with actually improving the value of the dollar.

Small monthly sales would not really bother the gold market, the Treasury aides argue, and would improve the dollar's desirability as a currency. This could be done without pegging the dollar to any fixed price or remonitising gold's role in the exchange-rate system, they add.

What the Americans do not explain is how this reasoning squares with their own report that US net gold imports in January dropped by more than 300 000 ounces to a level of 641 000 ounces.

According to the Treasury's own import figures, gross imports for the month totalled 1,639-million troy ounces.

After deducting exports of refined scrap bullion, transfers from the IMF sales and from the national accounts of the New York Federal Reserve Bank of 1,225-million ounces, the net bullion inflow for the month was only 414 000 ounces. Added to the import totals were 227 000 ounces of gold coins, more than 90 per cent of which were Krugerrands, Treasury officials noted.

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Gold men disappointed

Sun. Trib. 2/4/78 By MADGE SWINDELLS (79)

DESPITE the 2,5 perecent 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 the dire need to cut production costs—and yet there is absolutely no incentive to do this, because any increasing profits are mainly absorbed by the fiscus.

Gold mines would like 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.

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7/4/78 (272) R.D.M

Inside Mail

Rhodesia: What can be done

By ALLISTER SPARKS, Editor of the Rand Daily Mail

WHAT policy should South Africa adopt towards Rhodesia's internal settlement — if, as I suggested yesterday, it is likely to fail in its present form?

At the moment Pretoria strongly supports the internal settlement. This is partly because of the basic philosophy that countries should settle their own internal problems; partly because of a deep mistrust of the Western powers' role in Southern Africa; and mainly because on the face of it the internal settlement looks best as far as South Africa's own interests are concerned.

But that is assuming the thing is going to work.

If it stands to fail, as I believe it does, then surely Pretoria should reassess its policy of unqualified support.

Because although this is obviously Rhodesia's domestic affair, it is also a matter of legitimate concern to South Africa since what happens there could vitally affect the security of this country and have a direct bearing on our own political future.

South Africa's concern is at two levels:

● Since a black government is now a certainty and no longer an issue, our primary concern must be that there should be stability when it comes. The greatest danger to us inherent in the whole situation is that it could degenerate into Angolan-style civil war, opening the way for Russian and Cuban intervention.

● Given stability, it would obviously be better for South Africa if there were a moderate, Kenya-style black government in Rhodesia rather than one made up of revolutionary guerrillas who had come to power through military victory.

With such radical black governments already in power in Mozambique and Angola, it would be most uncomfortable to have a third filling the gap between. Our old protective cushion of colonial territories would thus be transformed into a menacing arc of hostile revolutionaries.

But this is a lesser danger than the first. After all we have been able to use our economic strength to co-exist reasonably well with Frelimo — so it should not be impossible to do so even with a Robert Mugabe in Rhodesia.

they will be able to surmount the accusation that they are "sell-outs" and win overwhelming popular support for the internal settlement.

The other is by broadening the present agreement to include the Patriotic Front — which is what the Anglo-American negotiators have been trying to do.

The two are not incompatible and could be pursued simultaneously. Indeed the more viable the internal settlement can be made to look, the more pressure the frontline Presidents are likely to exert on the recalcitrant PF leaders to enter negotiations.

Therefore Pretoria's starting point should be to use its leverage to get that boost for Muzorewa and the other internal leaders.

This is necessary because I strongly doubt the intention of Mr Smith and his Rhodesian Fronters to do it of their own accord — and although there are now blacks in the interim Cabinet, white RF Ministers still have a power of veto in every Ministry.

Essentially, there has got to be a campaign now to win popular black support for the internal settlement — and wooing black votes is a concept completely alien to the RF.

Though they have officially accepted the principle of black majority rule, the thinking of most of them is still wholly orientated towards the white electorate.

Mr Smith's overriding concern, while he was conducting his negotiations with the internal leaders, was clearly to drive the best bargain he could for the whites. He showed no awareness of the need to boost Muzorewa's image in black eyes, and forced him to back down on every point where he made a stand.

Then, days after the deal was signed, Rhodesian troops made their over-the-border raid into Zambia to the serious embarrassment of the internal leaders.

Last week the Salisbury City Council decided to postpone for a year discussion of a motion to integrate the city.

There has been no move yet to scrap the Land Tenure Act and other discriminatory laws; or to dismantle the hated protected villages; or to release political prisoners.

Mr P K van der Byl, the Foreign Minister, made it clear in an interview that his eyes were fixed on the whites-only referendum which will have the final say on the whole settlement — and that he believed the whites would vote "no" if they were not completely satisfied about their position, or if the West had not yet indicated its recognition.

The holding of this referendum, he said, was "the most solemn promise we have ever made".

This kind of whites-only thinking will sink Muzorewa and his associates unless the RF leaders wake up fast to the need to give them status in black eyes.

And stronger leverage from South Africa is the best way to bring about that awareness.

What is needed is an urgent programme to eliminate discrimination and other points of racial friction over the next two months — and for the internal black leaders to be held up as the men who have achieved this.

Then the internal agreement will begin to gain black credibility, which in turn will make the Patriotic Front more inclined to start negotiating for inclusion.

The lines of communication with the Anglo-American intermediaries should be kept open for this, so that an attempt can then be made to negotiate some kind of compromise between the Western and Salisbury plans.

That seems to me the best prospect of success, and the objective towards which South Africa should exert its influence.

There can, however, be no diplomatic strategy to counter chaos and opportunist intervention on our doorstep.

Assessed in this context it is clear that, for us as well as for Rhodesia, Bishop Abel Muzorewa is the most valuable political asset in that country.

He is the man who appears to have the strongest popular support, and should therefore be in a position to gain and hold power. He is also the most moderate of all the nationalist leaders.

Therefore, if the internal settlement works and brings Bishop Muzorewa to power, that would be the best possible outcome from our point of view.

But if it fails, Bishop Muzorewa and the other internal leaders will be destroyed in the process; there will probably be civil war with the danger of outside intervention; and in the end the revolutionary Mr Mugabe, as the man with most of the guns, would probably emerge as the winner.

So, to quote Mr Rowan Cronje, Rhodesia's Minister of Manpower, once again, the internal settlement is a case of "six or nix" for us too.

It will give us either the best or the worst of all possible outcomes. With the odds, as I assessed them on this page yesterday, on its being the worst.

The key to that assessment is that I do not believe the internal settlement can end the war. And if it can't, then visibly free elections can't be held — which means there can be no international recognition and so no end to sanctions.

Which in turn means that Rhodesia, which is economically broke and stretched to the limit militarily, will be facing collapse.

This indicates that South African leverage ought to be exercised towards bringing about a settlement that WILL end the war.

How can this be done?

There are, I believe, only two possible ways.

One is by persuading Mr Ian Smith to give such dramatic political momentum over the next couple of months to the black leaders he has drawn into the interim administration, that

Main positions on Rhodesian settlement issue

	Anglo-American	Internal settlement	Patriotic Front
Ceasefire	Essential part. No interim government until ceasefire in force.	Interim government will try to bring about ceasefire but black internal leaders have doubtful guerrilla following.	No interim government until ceasefire, and PF controls guerrillas.
Amnesty	Yes, for both sides.	No amnesty in internal agreement. Decision for Executive Council.	No amnesty for Rhodesian Cabinet or officials.
Recognition?	Yes, with establishment of transition government.	Recognition doubtful.	Eventual recognition possible.
Elections	Essential preliminary to independence. No final constitution without elections.	Elections subject to white referendum approval of constitution.	Elections provided peaceful conditions and sufficient time for normal electioneering — Guerrilla forces included in peacekeeping.
Transition arrangements	Resident commissioner with full executive and legislative powers but bound to consult advisory committees drawn from all parties.	Two-tier interim government — four-man executive council directing black-white 18-man Ministerial Council.	Accepts resident commissioner with advisory committees dominated by PF members.
Peacekeeping in transition	United Nations force and Rhodesian police responsible for law and order.	No change in security forces.	UN force with guerrilla forces.
Armed forces	Integrated force, guerrillas to be integrated with security forces less certain units such as Selous Scouts.	No change. Guerrillas to go through normal recruiting process if they want military career.	PF forces to be basis of new Zimbabwe army.
Bill of Rights	Yes	Yes, with emphasis on minority rights.	Yes, no special rights for minority groups.
Judiciary	Independence guaranteed but Chief Justice must quit before independence.	Independence guaranteed and Bench stays same.	Would dismiss many of the judges and make own appointments.
Civil Service	Civil service stays the same but key posts such as Cabinet Secretary to be vacated before independence.	No change, and entrenched rights for public servants.	Complete remodelling and no entrenched rights.
Pensions	Payment guaranteed, and remittable overseas subject to foreign currency position.	Payment guaranteed in local or foreign currency.	Local payments guaranteed only.
Development fund	Yes.	No.	No.

Price of gold rises sharply

Mercury Correspondent 7/4/78 79

LONDON – The gold price rose sharply, following better-than-expected auction results and a statement of U.S. Treasury Secretary Anthony Solomon'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. Solomon'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. Solomon 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, Sharps 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."

1977

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SCHOOL OF ECONOM

ECONOMICS IA

1975
Myra Mark

TUTORIAL EXERCISE

1. Where would t[illegible] r flow of income ?

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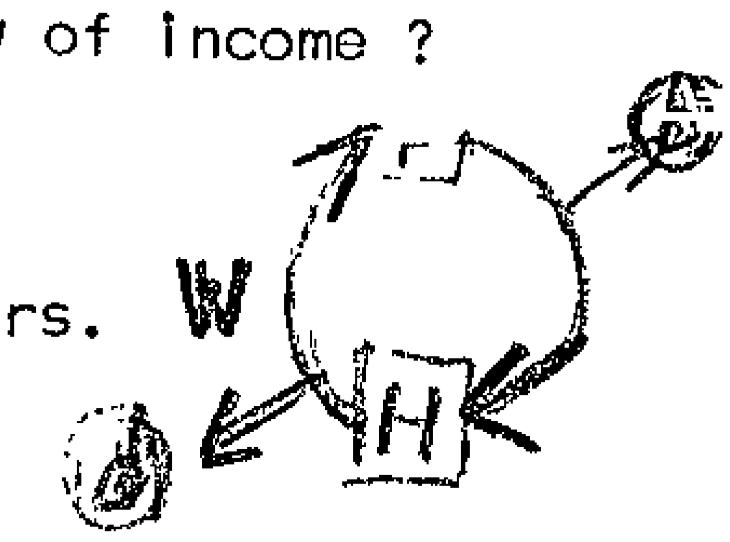
(b) Payments [illegible] Spinners. W



(c) Interest

(d) Money use[illegible] fice Savings bank. W

(e) Purchases [illegible] J

(f) Sales taxe

(g) University [illegible] dent. [illegible]

(h) Government

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How many of the [illegible] in a single edition of the daily news[illegible]

GOLD [illegible] yesterday afternoon [illegible] sharp rise [illegible] as uncertainty [illegible] possible [illegible] States.

The morning rise of [illegible] from Wednesday's [illegible] of $178.40 followed [illegible] by Dr Anthony Solomon, [illegible] States Under-Secretary for Monetary Affairs, [illegible] sales were planned immediately.

However, the New York Times quoted unnamed Treasury officials [illegible] the United States [illegible] considering selling gold by auction at regular intervals — perhaps 300 000 oz or 400 000 oz at a time once a month.

An official Treasury spokesman later repeated that [illegible]

[illegible] prices: [illegible] Paris [illegible] $182 [illegible]

London chartists [illegible] $184 to $185 [illegible] important resistance [illegible] gold [illegible] range $175 [illegible] factory for the [illegible]

Gold shares [illegible] sharply on the [illegible] yesterday, but the market remains thin.

Bullion brokers Sharps Pixley say, "Trade [illegible] be the very poor trade figures for February for the United States could bring an end to the [illegible] bull market."

[illegible], much will depend [illegible] by the US [illegible]

[illegible]

Gold drops as US dithers on auction

(79)

RDm 8/4/78

LONDON. — The price of gold was lower in London yesterday because of selling caused by a firmer dollar.

It was fixed at $179,10 in the afternoon and at $179,25 in the morning. Their day's second fixing was $181.

The price fell to around $178,50/79 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 2,0190 marks against 2,0141 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 1975 "was on the imminent side" 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 source said a decision might be made within weeks.

Treasury under-secretary, Mr Anthony Solomon, told reporters that the department was "continually 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 highest bidder, 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 official depositories. The worth is estimated at $50 000-million.

Closing prices: London $179,50; Paris $180,87; Frankfurt $179,18; Zurich $179,125; Hong Kong $177,66.

The gold on hand has increased in the past few years because the International Monetary Fund has returned to the US some of the gold it contributed to the international agency.

The Carter Administration has been urged by the former chairman of the Federal Reserve Board, Dr Arthur Burns, to make clear its willingness to sell its gold, plus other assets, to support the dollar.

Sale of gold would take dollars out of circulation. Foreign dollar-holders presumably would jump at the chance to exchange dollars for gold if they are allowed to buy.

A sale of 500 000 oz would raise $90-million at the most, hardly enough to give much help to the dollar.

The sale would make gold available to commercial users, however, and reduce the need to import gold, which would benefit the nation's trade balance. — Sapa-Reuter-AP.

Gold backing for credits urged

(79)

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 Ypersele.

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.

The gold backing deposits with Fecom would remain the property of the depositor country, and would only be used if the system broke up and the debtor 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 80% 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 ought to reinforce European cohesion so as to be less vulnerable to outside shocks. — Reuter.

These are the weaknesses in the quantity theory :

(1) It is based on the equation of exchange which is a truism 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

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SUNDAY TRIBUNE, APRIL 9, 1978

HOLLARD STREET

(7)

This week sees to-and-fro gold share price

Gold shares dithered quietly throughout this week as the bullion price rumour-mongers had their day.

This was most pronounced on the futures markets where emotion and not facts dictated operations.

Th Swiss desion to drop gold backing for its note issue was blown up by bears, 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 bidders 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 stoping 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 100c a share and they must be regretting their action.

Yesterday, Afrikander Lease 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 bode 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.

Platinums have been dithering with the erratic movements in the metal price on the open market. Copper edged up at one stage on the higher LME price but have since faded.

Selected coal counters picked 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.

Tongaat announced that it was not prepared to raise it's 130 c a share bid for Primrose but the price moved up strongly, suggesting that there could be others in the hunt.

Close	Golds	Metals	Indus	All Market	Volume 000's
April 7	302,2	854,2	510,3	—	1302
April 6	304,2	851,3	510,5	79,3	1730
April 5	301,7	851,3	510,5	79,3	1103
April 4	305,5	870,3	510,7	79,3	1007
April 3	309,2	875,3	511,9	80,4	1532
Mar 31	311,5	869,3	525,1	81,7	1464
Month Ago	318,0	859,5	513,7	81,4	899
Year Ago	280,1	1177,4	503,2	79 6	1156
YEAR'S HIGH	356,0	1179,0	572,7	91,9	2993
	17/10	17/5	18/10	17/10	4/10
YEAR'S LOW	242,7	821,3	501,8	74,5	690
	4/7	20/3	27/4	4/7	12/4
Earnings Yield	14,7	25,6	20,5	18,4	—
Dividends Yield	7,4	11,2	9,3	8,7	—

Base: Golds, Metals and Industrials — 1960 = 100. All Market: 1975 = 100.

'Don't rely on gold alone'

Sun Trib. 9/4/78

79

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 revaluing the gold content of the reserves at market related prices, which is always a doubful 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 impetus 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 restimulation 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 reflate, 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."

Cape Times 11/4/78 79

Horwood revalues reserves

HOUSE OF ASSEMBLY. – The Minister of Finance, Senator Owen Horwood, announced yesterday that South Africa's gold reserves are to be revalued today at a price related to the value of gold on the international market.

The reserves from today are to be valued at R141,97 a fine ounce, compared to the present R29,55 a fine ounce, he said during his reply to the second reading debate on the budget.

The move follows the abolition of the old official gold price under the new articles of agreement of the International Monetary Fund which came into effect on April 1.

"Now that the new fund articles have come into operation and the official price of gold has been abolished, the South African rand, like all other fund member currencies, no longer has a gold parity.

"The existing South African statutory price of R29,55 therefore no longer has any international legal basis," he said. "Moreover, since the gold price on the private market is currently about five times higher than the present South African statutory price, the latter has clearly become totally unrealistic.

"I have therefore decided that the time has now arrived to value South Africa's official gold holdings on a market related basis."

The new valuation price of the Reserve Bank's gold holdings is to be fixed at the end of every calendar month at a level equal to the average of the last ten London fixing prices during that month, less 10 percent.

The first price which comes into operation today, based on this formula, is R141,97. The proposed revaluation would result in a large book profit.

"The bank holds nearly 9,5 million ounces of gold, which at the old price of R29,55 is valued at about R280m.

"At the new statutory price of R141,97 this gold will have a value of about R1 348m. This means that the revaluation profit on the bank's actual gold holdings will be about R1 068m.

He said: "The total amount owed by the government to the bank in respect of losses on foreign exchange holdings, gold transactions and forward contracts is at present R1 134m."

The initial gold revaluation profit would be credited to the gold price adjustment account and thereafter be transferred to the new contingency reserve account. – Sapa

Prof Owen Horwood

Taxes 'badly aligned'

HOUSE OF ASSEMBLY. – The time had come for a better relationship between direct and indirect taxation, the Minister of Finance, Senator Owen Horwood, said yesterday.

Replying to the second reading of the budget debate, Senator Horwood said the relationship had gone badly out of alignment during the past 20 years.

It was necessary in the present circumstances to introduce a more broadly based form of taxation. That was why he had introduced the general sales tax while at the same time making various concessions to soften the burden.

Opposition speakers had said other forms of taxation, such as sales duty, should be removed. It would be silly to remove other forms of taxation while introducing a new form. This would nullify the aim of obtaining more money for the treasury.

Opposition financial spokesmen called for the introduction of more indirect taxation. It was strange that, now that it had been introduced, they said they were against it.

The Leader of the Opposition had asked why the Government kept the rand tied to the US dollar when cabinet ministers said the US was a greater threat to South Africa than was Russia. This was a ridiculous argument.

The dollar was a heavily traded currency and the largest part of South Africa's trade took place in terms of the dollar. This was one of the reasons why the rand was tied to the dollar. To suggest the rand should be linked to the rouble made no sense. – Sapa

Three year establishment programme

During the first year of operation the Fisheries Section does all the stocking and sampling. Sampling is done every two weeks and then the rate of feeding is calculated according to the weight. During the second year of production the village itself should pay for the fingerlings supplied. During the third year the village should pay for the fingerlings, the fertiliser and the food.

We sell the fish at 500 - 700 grams. When the fish are big enough to sell, they are sold to the villagers themselves at about 60c per 1kg live/weight. Each village is expected to appoint one man to be in charge of the daily duties which include feeding, fertilising once a week, general control, fencing, cutting the grass.

Fisheries Committees

In each village there should be a fisheries committee. This committee is chosen by the villagers themselves and is responsible for all the fisheries activities. We work through this committee. We tell them when the fish should be fed and so on. The income from the sale of the fish is put into a bank account. At the end of the year we compute how much the input cost was, and the committee then has to pay the Fisheries Section.

At least, this is done in theory but it doesn't always work very well in practice. The system is difficult to explain and the villagers are sometimes reluctant to [...] cal advice.

Involvement of the [...]

The villagers hav[...] send the staff from here quite f[...] most villages (but not all) are [...] a good thing not only because [...] es the villagers' involvement in th[...]

Ideally, the vill[...] or the fish ponds after 3 yea[...] ce people don't have the educatio[...] feeding rates, etc. We hope to [...] require a lot of training.

Cape Times 11/4/78 (079(2)

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 multimillion 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 effective 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 R761m at the end of February.

The valuation method has been chosen to limit the effects of fluctuations in the gold price.

The director of the University of Stellenbosch Bureau for Economic Research, Professor J L Sadie, disapproved.

"If you do something you do it for a purpose. What is the purpose of this?" he asked. A banker speculated that the artifical 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 related 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".

Cape Times 11/4/78

(79)

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 changed 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 unmatured foreign loans.

"The amount exceeds the book profit on the revaluation of the gold reserves of R1 068m excluding the profit of R662m still to be made on gold to be bought at a fixed price on the gold swop arrangements."

Mr Harry Schwarz

Mr Schwarz said that such losses should have been dealt with in the budgets 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 fuelling 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

13/4/78
R.D.M.

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 against most major currencies in quiet midsession trading, narrowing or erasing early losses.

The market was generally subdued and looking for a fresh lead to determine sentiment.

It was marked down virtually across the board on what some operators described as a lack of substance in President Carter's speech, but short covering aided its rally.

The Japanese Prime Minister, Mr Takeo Fukuda, welcomed President Carter's speech. He said it clarified the basic American aim of curbing inflation and restricting oil imports.

He said he would urge President Carter to defend the dollar when they meet in Washington on May 3.

The dollar fell at one point to 218,15 yen on the Tokyo foreign exchange market yesterday, reflecting disappointment at President Carter's speech. It recovered to 218,50.

Mr Fukuda said Japan would reduce its current account surplus, estimated at $13 000-million in fiscal 1977.

Japan planned to make advance payment of $1 000-million for imports of enriched uranium from the United States, and to import crude oil for stockpiling idle tankers.

Japan would ask the United States to facilitate Japanese investments there by tax exemptions and other measures. — Sapa-Reuter.

Closing prices: London $179; Paris $181,40; Frankfurt $180,29; Zurich $178,875; Hong Kong $178,41. — Reuters.

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Gold mines to save R108m

By DON ROBERTSON
Mining Editor

THE 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 labourerrs 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 35 000 and taking the average wage a month at R108, 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 tact. This means that regulations governing the supply of labour to the mines have not changed.

13/4/78 R/D/M Business mail

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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 Horwood, 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 they indicate 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 Barcalys 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 30-million Swiss franc loan. He says the Euromarket rates for five-year money is around 3,75% 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 30-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 6,46%.

The issues indicate that South African borrowers can raise medium-term finance in the harder currencies — at rates well above average.

As Senator Horwood says, the money is expensive — especially because the rand, linked to the dollar, continues to devalue against these currencies.

But the potential problems of 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 Anils 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-based loan, or another effective gold swop agreement between the Reserve Bank and Swiss bankers.

Without foreign capital, the growth rate lags.

In 1974, South Africa's real 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 0,5%.

• 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 Comecon countries will experience greater borrowing difficulties in 1978.

In reply to a question on sovereign risk credit ratings, South Africa was mentioned 11 times, followed by turkey (9), Zaire (8), Peru, Poland and Zambia (6) when respondents were asked which countries were expected to face greater borrowing difficulties this year.

Just another commodity?

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 this facility have been aired. Best bet: R20m R25m (*Current Affairs*).
- The gold mines will be paid *daily* for the gold they sell — this is the implication of Horwood's statement that "in future the mines will receive the *market price* (official italics) for all gold sold by them to the Reserve Bank." This replaces

Rand Refinery gold . . . speeding up payments

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 $64bn 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.

[illegible]

By [illegible]

[illegible] Editor

[illegible] of [illegible] gold [illegible] quest [illegible] ly [illegible] we [illegible], and the [illegible] era of [illegible] will [illegible] extent to which the [illegible] has been [illegible].

The gold price, which appears to have [illegible] between $175 and $176, [illegible] less of a factor in [illegible] mines [illegible] main [illegible] costs [illegible] becoming the [illegible] in any [illegible].

In 1977, costs rose by an average 23,7% and the gold price [illegible] on average for the year, rose by less than 10%.

The [illegible] cost spiral was shown at Grootvlei. The chairman, Mr L W P van den Bosch, told shareholders at the annual meeting last week that the mine had lost [illegible] million tons of reserves since 19[illegible] because of increase in costs.

Costs at this low grader rose by [illegible] between 1964 and 19[illegible], during which the gold price increased 16%.

It [illegible] particularly encouraging, therefore, that [illegible] cost increases [illegible] the Gold Fields mines which reported for the March quarter last week was kept down to 1,6% compared with 7,[illegible] in the previous quarter.

Gold Fields achievement in the last quarter may be indicative of the performance in the whole industry and holds out some hope that the battle is being won.

The performance was well based in that it was achieved in a quarter affected by special cost factors.

In January, the cost of Escom power was increased. The unit cost rose by 1[illegible] but the surcharge was up by 47%. This pushed the cost of power, particularly in the deeper mines, to the No 2 spot after wages in the total cost structure.

The traditional annual influx of labour was again evident accompanied by high training costs and low productivity although the effects were not as severe as in the past.

However, with most mines operating with full labour complements tonnage milled is likely to be higher. This helps to contain costs.

The gold price will be slightly higher than the average received in the December quarter. In the case of Gold Fields, it was $172,10 compared with $170,60.

However, the December figure was slightly distorted as substantial sales of Krugerrands were made in the December quarter, many of which came from the stockpile.

R.D.M 19/4/78

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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 fiture 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 prssures are keeping up grades even with the higher gold price.

In 111111111111January to March this year gold output was 5 514 261 ounces.

That compares with 5 342 325 ounces in the first quarter of 1977.

The table shows the declining pattern of gold production over the 1970s.

Preeceapr 18 Jan-March 19727	242 429 oz
JAN½March 1973	6 911 794 oz
Jan-March 1974	6 252 720 oz
Jan-March 1975	5 507 309 oz
Jan-March 1976	5 485 429 oz
Jan-March 1977	5 342 325 oz
Jan-March 1978	5 514 216

Going back a decade, production in he first quarter of 1968 was 7 608 972 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 1 795 361 oz; in February 1 812 930 oz; and in March 1 905 970 oz.

Average gold prices in those months were approximately, I calculate, $173,20, $178,10 and $183,70.

That gives a figure for gold output of about R855-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 R2 795-million against the previous best of R2 656-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 theprice were to average no more than $160 from April to December, gold output for 1978 would be over R3 200-million.

STAR 20/4/78

SA gets set for lower gold price

(59)

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 forecast 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.

Unicorp gold mines suffer as costs bite

By DON ROBERTSON
Mining Editor

UNION Corporation group mines, renowned for their efficiency, have shown best the crucial relationship between tons milled and rising costs of all the mines that have reported for the March quarter.

With the exception of Marievale, whose tonnage milled was unchanged, and Leslie which scored a moderate increase, costs at all mines have risen, thus slowly reducing the margin between revenue and expenditure.

St Helena's cost rise in the quarter was 6,5% and at the marginal Grootvlei, the rise was 13,7%. At the annual meeting, the chairman of Grootvlei, Mr L W P van den Bosch said cost increases were unlikely to be kept below 18% for the full year.

The lower or maintained tonnages, higher costs and generally lower recovery grades 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 $182,91 an oz, and a reduction in costs, more than offset slightly lower gold production and taxed profits rose to R597 000 from R528 000.

In development work, only 14% of the 183 m sampled proved payable at 1 100 cm 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 26% of the 363 m sampled proving payable at 2 013 cm g/t, made up of 15,7 g/t over a channel width of 129 cm.

Taxed profits were down to R4 394 000 compared with R4 998 000.

Grootvlei, which has a life of about four years at a price of $200 did well, although profits dipped to R1 168 000 from R1 529 000.

Mill throughput was down, and although grade was maintained at 4,40 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 42,2 g/t, but over the channel width of 38 cm, these apparent high values are substantially diluted in mining.

Marievale cut costs, but with grade falling 2,90 g/t from 3,20 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 R142 000 from R867 000.

Bracken 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 sundry revenue helped to make taxed profit R1 439 000 compared with R1 346 000.

Kinross maintained the image of the Evander producers by holding tonnage milled, grade and gold production. However, costs rose by 6,4% which left the working profit slightly down.

Taxed profit was R3 144 000 against R3 204 000.

Like Grootvlei, Kinross produced high development values of 33,2 g/t, but the channel width was down at 39 cm.

Winkelhaak suffered from a reduced recovery grade of 7,60 g/t compared with 7,80 g/t, but maintained mill throughput at 516 000 tons.

The slightly higher gold price received was not sufficient to offset lower gold production and higher costs. Taxed profits, in spite of a lower tax bill and higher income from sundry revenue, were down to R4 418 000 against R4 694 000.

In development work, 64% of the 567 m sampled proved payable at 1 671 cm g/t.

US gold sales (79) start in May

STAR BUS. 20/4/78

Hugh Roberton

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 state.

"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 277 500 000 ounces of gold which is stored at Fort Knox, Kentucky.

The last gold auctions in the US were in 1975 when two quantities — 754 000 ounces and 499 000 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.

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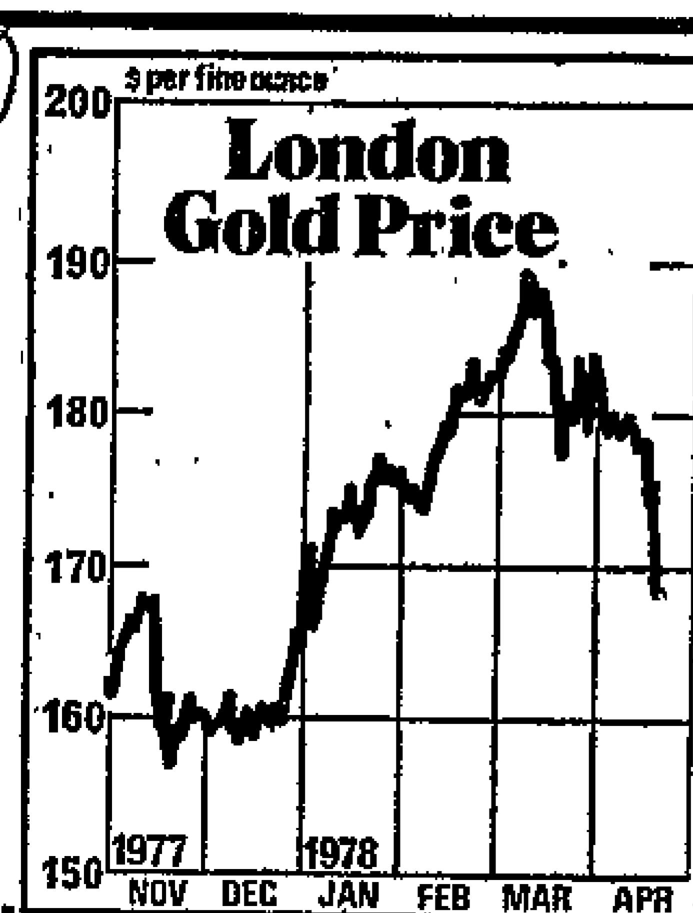
Business Mail

Gold calm after the US shock

21/4/78 R.Dim



Closing prices: London $169; Paris $170,51; Frankfurt $169,96; Zurich $169,875; Hong Kong $167,73.

By HOWARD PREECE

GOLD fell $6,10 in London yesterday at the second fixing to $168,55 after the announcement that the United States will auction 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/$169 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 $190 on March 8.

A $10 move in the gold price means about R200-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 — towing 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 any monetary 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 $27 000-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 $167, 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 $165 to $170.

The dollar rose above 224 yen above 1,95 to the Swiss franc and above 2,06 against the mark.

Cape Times 21/4/78 (79)

Gold price falls as US announces auction

By GORDON KLING

THE gold price plummeted by more than six dollars an ounce yesterday after the United States Treasury announced that it planned to auction some of its gold holdings.

The treasury said it would hold at least six monthly auctions of 300 000 ounces of gold each from May 23.

This, and 550 000 ounces a month being auctioned by the International Monetary Fund, compares with South African production in the first two months of the year of 3 608 291 ounces, as well as substantial output by the Soviet Union.

The gold price fell to 168,55 dollars an ounce on the London market compared with 174,65 dollars at the previous afternoon fixing.

Gold shares on the Johannesburg Stock Exchange slid across a broad front in reaction to the announcement with losses ranging from 5c to 100c.

Reuter reports that American bankers expected the dollar to rise strongly on the gold sales announcement. The weakness of the American currency has contributed greatly to the recent gold price rise.

Meanwhile, diamonds continue to ride the crest of a boom which will blunt the impact of the gold price decline.

The chairman of De Beers, Mr Harry Oppenheimer, notes in the annual report released today that group profits of the diamond giant were up by more than 100 percent in the past financial year.

● Golds slide – page 10

(79) 21/4/78 RDM

SA to continue gold sales at normal level

THE RESERVE Bank is not expected to change its policy of selling full 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 400 000 oz to 450 000 oz a week.

Banking sources 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 the 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 754 000 oz and 499 500 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 informally agreed to under the United States-German monetary accord of March 13, says a West German Ministry of Finance spokesman.

The Minister of Finance, Mr Hans Matthoefer, welcomes the auctions.

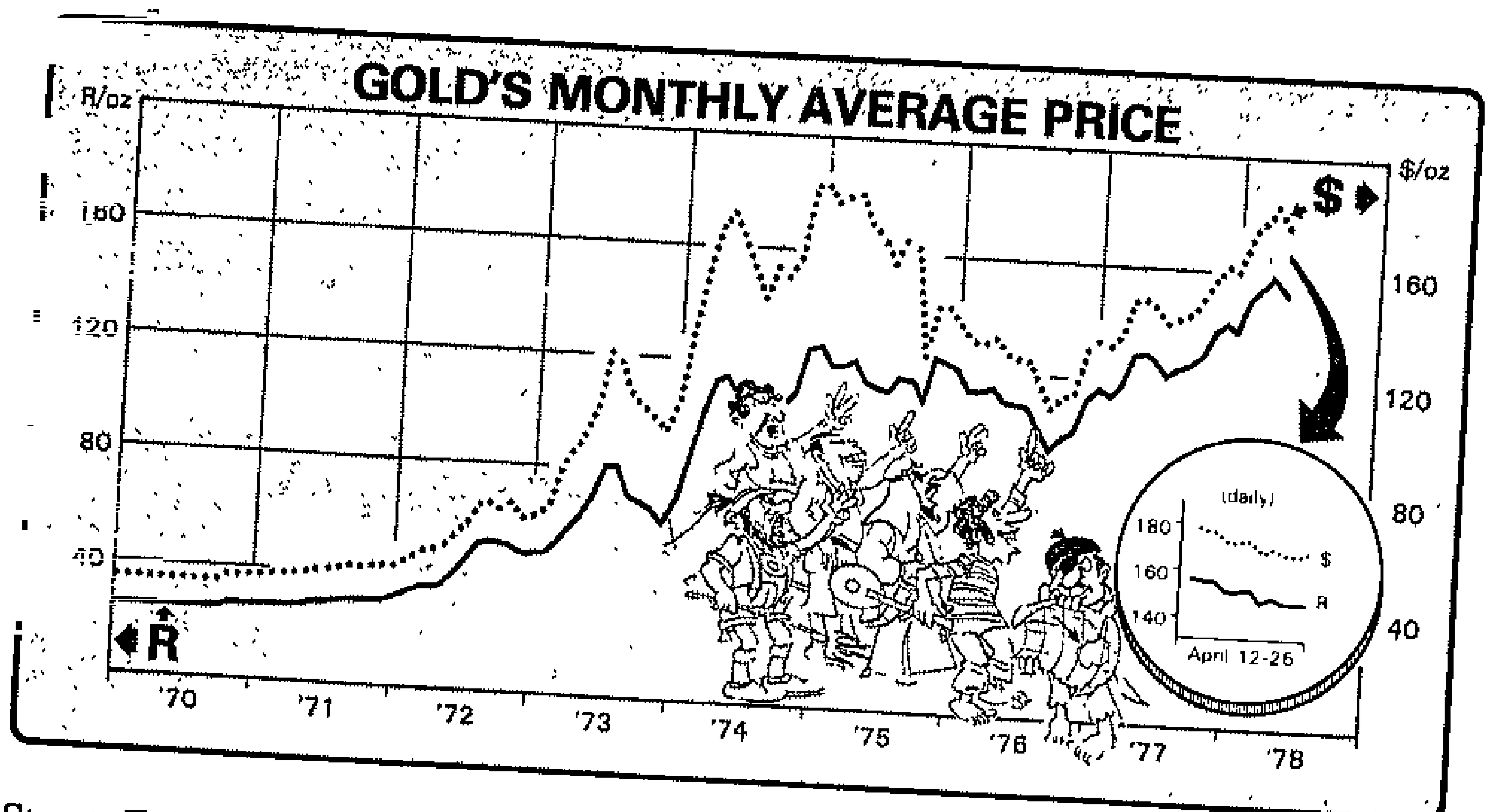
He says they will contribute to a stabilisation of the dollar.

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. — Reuter.



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 e recently rising price trend now level ut, 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.

The Natal Mercury, Friday, April 21, 1978

Effect 'temporary,' says Horwood

U.S. gold sales may drop price

(79)

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 1975.

The department said it had 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

26/4/78 RDM

LONDON. — Bears pushed gold lower again in London yesterday. It was fixed at $167,65 in the afternoon and at $168 in the morning. Monday's second fixing was $168,50.

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 60 tons. The Indian Government plans to sell 70 tons in seven fortnightly auctions, but the auctions are unlikely to hit the international markets.

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 Sakekamer 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 500 000-million Eurodollars into gold.

Closing prices: London $168,25; Paris $168,15; Frankfurt $168,14; Zurich $168,125; Hong Kong $165,75.

Fine, Geffen & Cilliers (Cape) 9053

Cape Times 28/4/78 (79)

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 $170-170,75 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 $1,10-1,60 higher at $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 60 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 Reuter 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 these of the past two years.

STAR 28/4/78

1, 2 79

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 meets 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 — R80 more in every union member's monthly pay — and 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.

Business Mail

Gold's alive and well at $173,30

RDM 5/5/78 79

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 $172,85 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 524 800 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 $165 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 subside ahead of the United States Treasury auction and the seasonal lull in the market.

CLOSING prices: London $174; Paris, Frankfurt and Zurich holiday; Hong Kong $170,33.

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 Reuter.

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 23 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.

RDM 10/5/78 (79)

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 $172,70 in the afternoon and at $172,15 in the morning. Monday's second fixing was $172,20.

Gold closed at $173/$173,50.

The rise was mainly on the strength of buying from New York, although the market's current uncertainty was reflected during the 25-minute second fixing by the fluctuations of the price in a 50c range between $172,40 and $172,90.

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 2,0965 (2,0925), Swiss franc 1,9820 (1,9760), the guilder 2,2405 (2,2350) and French franc 4,6395 (4,6285).

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.

The defeat of the minority Labour Government over Opposition moves to reduce Britain's steep rate of income tax raised fears that the loss of revenue would further stretch the Government's large 1978 borrowing requirements.

This could make it more difficult for the Government to control a worrying growth in the money supply and thus handicap it in the fight against inflation, now running at an annual 9,1%.

The successful Conservative Party proposal to lower the standard rate of income tax from 34p in the pound to 33p will cost the Government an estimated £340-million this year.

Sterling's depreciation since December, 1971, against the currencies of its 20 main trading partners widened to 38,8%. At Monday's opening the depreciation was 35,8%. —

$10 to $20 an ounce more for mines

1/5/75
R.D.M.
79

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, Davis 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 at between $170 and $175, the mines will receive about $185 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 pay a more positive role in promoting an orderly market.

The brokers' short list of recommended gold mine investments is headed by Hartebeestfontein with a current yield of 8.1%, followed by Randfontein 6.1%, Vaal Reefs 5.7%, President Steyn 3.6% and Kloof 3.8% as recovery stocks, and Kinross 9% as a mine with possibilities of mining an enriched area shortly.

Davis Borkum believes it is unlikely that mines with a September year-end will receive less than the average to the end of March of $173, and that the average revenue received in the calendar year by mines declaring dividends in June and December is unlikely to be less than $160 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 Elandsrand is more convincing than that for Deelkraal.

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.

Deelkraal will not become liable for tax until aggregate profits are well in excess of R190-million and Elandsfontein 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 good following because of good medium-term prospects.

Discussing mines with an important uranium contribution, they say the uranium profits provide useful reductions in the costs an oz of gold produced. These reductions would be equivalent to about $16 an oz at Buffelsfontein; $20 an oz at Harmony; $10 at Hartebeesfontein, $6 at Southvaal and $14 at Vaal Reefs.

In time, the uranium contribution at Buffelsfontein is likely to rise from $3 to more than $10 an oz; at Southvaal to about $30 and at Vaal Reefs to about $25.

The uranium contribution at Harmony may decline when the stockpile of low-cost uranium oxide has been fully realised.

There is the possibility of considerable improvements in Randfontein and Southvaal dividends, when current expansion programmes are fully operative

Vaal Reefs stands to benefit from the Southvaal expansion and also the expansion of its own uranium capacity.

Buffelsfontein 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

16/5/78 Rd.M. (99)

By NEIL BEHRMANN

Closing prices: London $175,75; holidays in Paris, Frankfurt and Zurich; Hong Kong $172,59.

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 $175,25. Last Friday's second fixing was $174,70.

International markets are confusing investment analysists. 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.

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 1,7%. But in Swiss francs, gold has increased from 333 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 12 550 000 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.

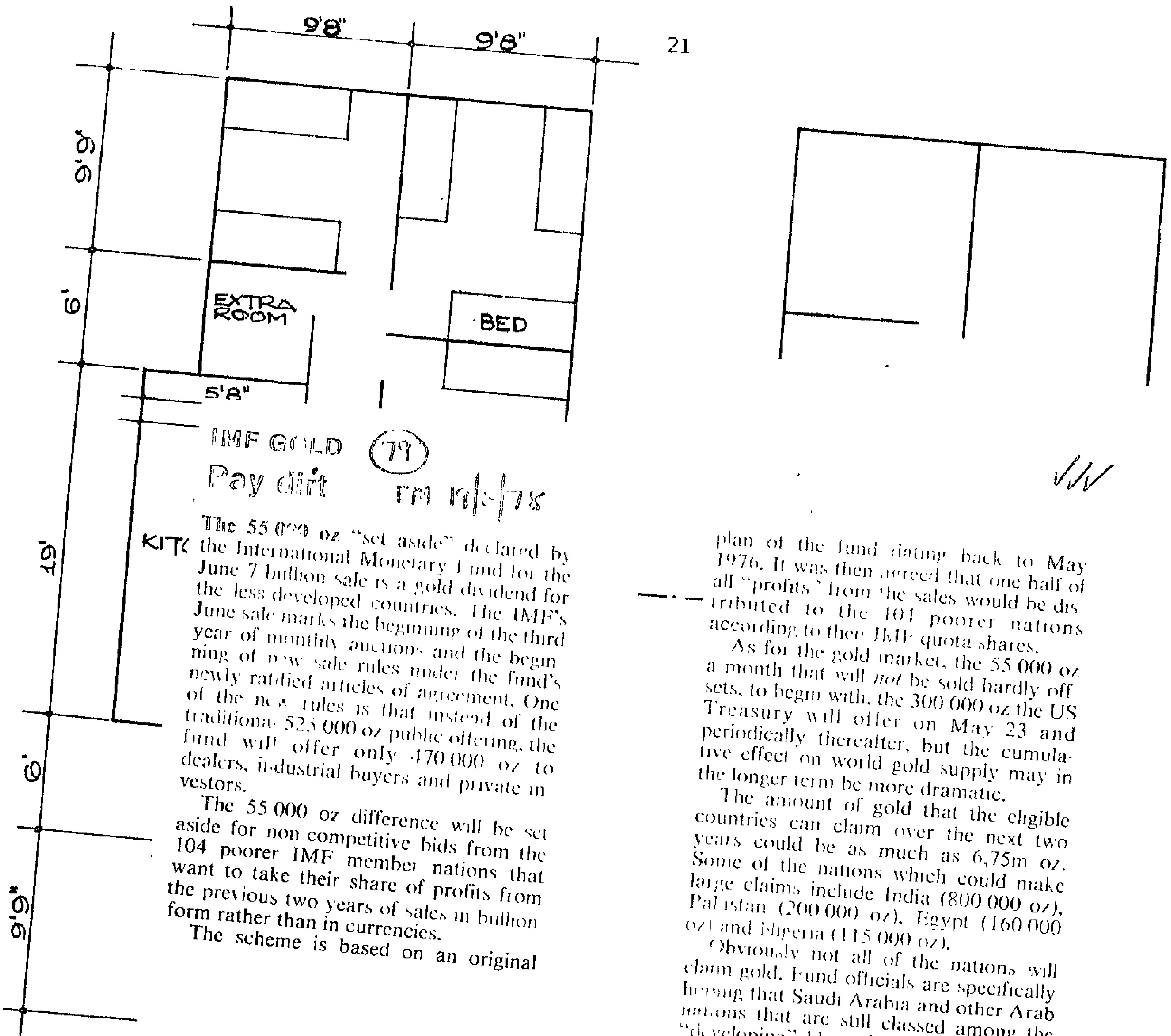
James Capel links the extraordinary demand for gold at the IMF auctions with central bank buying.

"It is probably no coincidence that this was effectively the first auction at which 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, they 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 $200 would have to be reached in the final quarter this year.



IMF GOLD (79)

Pay dirt FM 11/5/78

The 55 000 oz "set aside" declared by the International Monetary Fund for the June 7 bullion sale is a gold dividend for the less 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 bullion 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 104 poorer nations according to their IMF quota shares.

As for the gold market, the 55 000 oz a month that will *not* be sold hardly offsets, 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 countries 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), Pakistan (200 000 oz), Egypt (160 000 oz) and Nigeria (115 000 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 trends in that offering will be closely watched.

FIG. 1

DIAGRAM OF A HOSTEL IN T

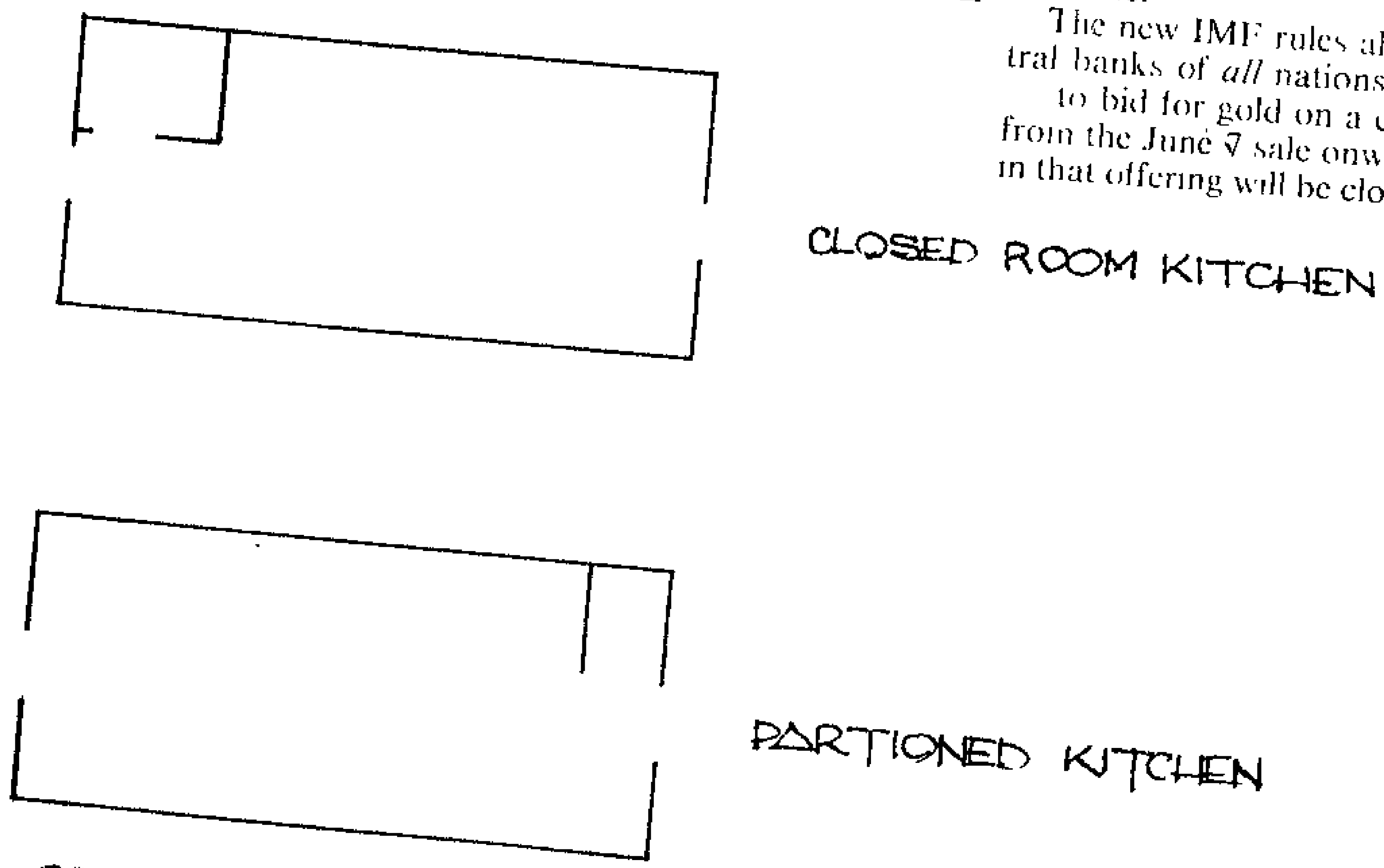


FIG. 2

COOKING AREA IN EMPLOYERS' DORMATORIES IN LANGA.

Nog 'n hoë hekkie vir goud

79

Rapport 21/5/78

Van GIELIE DE KOCK

LONDEN

HIERDIE week begin die nuwe reeks veilings uit Amerika se amptelike goudvoorraad van oor die R9 biljoen. Onmiddellik is daar wêreldwyd bespiegelinge of goud ook met welslae 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 laat plaas.

Die algemene gevoel is dat goud oor die Amerikaanse versperring sal kom en ingestel sal bly op sy teiken van 200 dollar, wat die bul-mark vroeër vanjaar voorspel het. Die algemene bestendigheid van die goudprys vandeesmaand gee veral rede tot optimisme.

Leith McGrandle, ekonomiese redakteur van die Londense Evening Standard, skryf vandeesweek dat 'n mens moet toegee dat dáár hier en dáár terugslae 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 afgebaan het. Ná 'n blitsige wegspring in die begin van die jaar het die prys gedaal as gevolg van gerugte dat Washington besluit het om meer van sy amptelike voorraad te verkoop. Die gerugte is intussen bewaarheid.

Die Amerikaanse tesourie beplan ses veilings van 300 000 ons op 'n slag. Die tesourie het laas in 1975 'n bietjie goud verkoop. Die beplande verkope is maar net 'n druppel aan die emmer in vergelyking met die opgebergde stawe in Fort Knox, maar nuus van die veilings was „sielkundig 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 van sy amptelike goud te verkoop. Die program dáár is om sewe veilings met 'n totaal van 1,8 miljoen ons aan te bied. Al dié faktore het die goudprys met ongeveer 15 dollar afgedruk tot die laagste syfer van 1978 van 167,65 dollar in die eerste drie weke van April.

Maar dit is opgevolg met die goeie nuus dat die nywerheid- en juweleaanvraag vir dié metaal verbasend sterk gebly het. Veral in die Midde-Ooste was daar 'n toenemende aanvraag vir juwele met 'n ... goud wat as beleggings gekoop is.

Nog 'n bemoedigende verwikkeling vir die goudmark is die plan van die IMF om die omvang van sy maandelikse veilings, ten bate van die armer lande te verander. Voortaan sal 'n gedeelte van die beskikbare goud nie opgeveil word nie, maar direk aan die armer lande oorhandig word.

Die volgende IMF-veiling vind op 7 Junie plaas.

Business Mercury

Currency gold link urged

79

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.

Mr. Freemantle

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.

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."

Gold steady after US auction

RDM 25/5/78 (79)

By NEIL BEHRMANN

LONDON. — The gold price slipped in London and Zurich yesterday in spite of the satisfactory result of the United States Treasury auction. Gold was fixed at $179,40 in London yesterday afternoon and at $179,60 in the morning. Tuesday's second fixing was $179,75.

Mid-session selling forced the price down to around $178,75/179,50 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, 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 East speculators have been short of gold.

Similarly to the platinum market, New York speculators have been gold bears and have been caught on the wrong foot.

The Swiss banker said Middle Eastern investors who sold when gold was around $185 to $190 in March rebought when the price dipped to $170. They were potential sellers at above $180.

With estimates in the market that the Russians are selling 350 to 400 tons a year, it is hardly surprising that Zurich 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 of 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 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 Price Council director, predicts that United States inflation will be at a rate of 9% for April and May.

On the more optimistic front — at least as far as the dollar is concerned — President Carter's energy programme is making progress in Congress.

Closing prices: London $180,25; Paris $180,35; Frankfurt $179,25; Zurich $179,815; Hong Kong $177,16.

Sharp rises in gold divs forecast

(79)

26/5/78
R.D.M.

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% up; 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 $190 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 Mozambique 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.

ANGLO AMERICAN

Vaal Reefs 70 I (55); Western Deeps 55 I (35). Western Deep's dividend is thus predicted to be 57% higher than in June last year.

GFSA

East Driefontein 45 I (35); West Driefontein 215 F (145); Kloof 25 F (15); Libanon 60 F (40); Doornfontein 35 F (10); Venterspost 10 F (5). Kloof's dividend at 25c would be 66% higher than last June.

GENMIN

Buffelsfontein 90 F (90); Stilfontein 14 I (11); West Rand Cons 10 I (3). West Rand Cons' dividend would be 233% higher.

JOHNNIES

Western Areas 10 I (6); Elsburg 6,5 I (3,9); Randfontein 250 I (150). Randfontein is thus forecast to rise by 66%.

ANGLOVAAL

Harties 105 F (70); Zandpan 18 F (11,5); E T Cons 15 F (—).

UNICORP

Grootvlei 15 I (10c capital repayment).

RAND MINES

Blyvoor 35 F (24).

SUNDAY TIMES, Business Times, May 28, 1978.

Experts see gold price levelling off soon

Zurich and London agree on range of $170 to $180

By NEIL BEHRMANN

LONDON. — The latest US gold auction, as expected, was well bid, but both London and Zurich expect the price to consolidate within the $170 to $180 range.

In this band they have noticed demand from the Middle East and the Far East, but above $180 industrial buying wanes.

An important influence on gold for several weeks is that Soviet selling has dried up. With supplies lower, steady buying from the Middle East and short covering by speculators on the United States futures market, the price rose sharply from $168 to $181 and then reacted towards the close of the week.

Plans

A changeover in the IMF selling tactics also contributed to a buoyant market in the face of a stronger dollar and relatively firm New York stockmarket.

The IMF plans to sell 470 000 ounces monthly instead of 525 000. The difference of 55 000 ounces will be sold to developing countries wishing to opt for gold instead of the paper profits. And after the auctions, the names of these countries will be released by the IMF.

Sales to developing nations will not necessarily reduce supplies of gold because the nations will be able to sell the gold on the free market at a later stage.

Swiss bullion dealers are cautious because it is only a matter of time before the Russians begin selling again and with IMF and US Treasury auctions twice a month, there will be extra supplies reaching the market.

The last quarter of 1976 and the major part of 1977 was dominated by Middle Eastern purchases for jewellery purposes. But it was speculative and investment demand after the crumbling dollar and weakness on Wall Street that sent gold to new heights.

So from a longer term point of view, the performance of Wall Street and the dollar is crucial despite the short-term aberations of the gold market during the past few weeks.

J. Aron, precious metals dealer, sums up the situation: "The dealers believe that the world economy will return to the hard windward task of reconstruction and repair. But even on the most favourable assumptions it seems unlikely that world anxiety factors will be greatly alleviated in 1978."

Demand

The environment may remain supportive to investment demand. The Middle East market is holding up well after enormous growth, and the US investment market is awakening in a highly significant way.

But with increased supplies from official sources, and as yet few signs that there will be marked central bank buying, investor demand will be the crucial factor for any renewed upward spurt in the price of gold.

J. Aron allows for four different economic scenarios. In the first instance current economic worries diminish significantly and the US dollar and stockmarket rise. The price range would then be $145 to $150.

The second scenario is the recent situation where today's anxieties are tempered slightly, permitting an inconclusive rebound in the dollar and stockmarket. The price range would then be around $165 to $180.

A more depressing picture is deterioration where gloomy expectations are fulfilled and the dollar and stockmarket are back on the defensive. The price range would be in the $190 dollar area.

And the pessimistic scenario, is deepening crisis, mounting stagflation, currency turbulence and political disarray which would see a price of around $220 to $225.

Alarming

Though J. Aron believes there is a serious danger that the environment will move into the more alarming categories, the firm feels there is a reasonable chance that economies will prove resilient and the second or more average scenario will predominate.

With London and Zürich confident on Wall Street and the impression that the US administration will fight inflation, the prospect of $200, or more, appears to have dimmed in the short run.

$184 gold at 10-week peak

RDM 1/6/78 (79)

By NEIL BEHRMANN

LONDON. — Gold was fixed at $184,15 in London yesterday afternoon — down on the morning level of $184,90 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 $185.

There was a brief surge towards the close which took the price back above $185, but further profit taking brought it donw.

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 1 600 000 gold contracts were traded on the International Monetary Market in Chicago and on the Commodities Exchange in New York in the first four months of this year, compared with 437 000 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.

CLOSING prices: London $184,75; Paris $185,66; Frankfurt $185,09; Zurich $184,625; Hong Kong $182,32.

Gold slips — dollar up in Europe, but hits yen low

79

14/4/78

RDM

LONDON. — The price of gold fell to $182,15 at the second fixing in London yesterday after $182,55 in the morning. Wednesday's second fixing was $183,70.

CLOSING prices: London $182,60; Paris $183,35; Frankfurt $182,46; Zurich $182,625; Hong Kong closed.

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 $11 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 214,95 yen.

Some Tokyo dealers believed the Bank of Japan bought between $20-million and $30-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 216,45 yen from Wednesday's closing price of 214,95. It moved to 2,0928 marks from 2,0855 overnight and to 1,9008 Swiss francs from 1,8875 overnight. The pattern was repeated in Zurich and Frankfurt. — Sapa-Reuter.

Cons Gold sees $180 average

RD/A 22/6/78 (79)

By DON ROBERTSON
Mining Editor

THE gold price is likely to average $180 this year, and while it would be preferable if rises followed a regular pattern, price movements are likely to occur in humps and valleys.

This is the view of Mr Christopher Glynn, author of the authoritative Gold 1978, an annual survey of the international gold market produced by Consolidated Gold Fields.

Mr Glynn describes 1977 as a record year with gold supplies to the market reaching 1 607 tons, the largest total except for 1967 and 1968 when central banks were forced to supply gold to private buyers at the fixed price of $35 an oz.

Last year a record 1 367 tons of gold was used for fabrication. The value of new gold reaching the market had the highest-ever value of $7 500-million, based on an average price of $147,74 an oz.

Mr Glynn 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 1970 of 1 639 tons. In that year, the free world's contribution of new supplies was 1 274 tons, representing 78% of the total.

Last year free world production was down to 965 tons, or 68% of total supplies of 1 429 tons.

South African production, based on a price of between $170 and $190, is expected to rise marginally above last year's 700 tons through to the mid-1980s. Thereafter, in the absence of any new discoveries, it should fall below 700 tons.

Affecting such a forecast is the continually rising pattern of costs, which Mr Glynn calculates have risen from $86 an oz in the March quarter last year to $104 in the March quarter this year.

This production, together with small amounts from other free world countries, is expected to result in new supplies of between 950 tons and 1 000 tons for the next few years.

Production by the Soviet bloc has been estimated at between 330 tons and 450 tons. Consumption in these countries is estimated at between 50 tons and 100 tons, leaving a surplus of 300 tons to 400 tons.

Soviet sales over the past two years have fallen roughly in the middle of this range, and "it is reasonable to guess that purchases so that supplies from official sources can be expected at 200 tons to 250 tons.

Based on these assumptions, Mr Glynn estimates total supplies to the market of between 1 450 tons and 1 650 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 3% and 4%.

Other industrial and commercial uses, such as in electronic circuits, decorative plating and dental applications, are expected to take the same as last year at 272 tons.

The minting of official coins should take about 150 tons compared with 136 tons last year, the rise resulting from the strong investment demand for coins experienced late last year and early this year.

Total demand for fabrication is estimated at about 1 400 tons which would leave between 50 tons and 250 tons available for private sector investment.

"At a price average of $180 this represents between $300-million and $1 500-million of new investment worldwide, modest sums by present standards of liquidity."

Mr Glynn says any financial, economic, political or military crises would lead to a heavier demand for gold as a store of value. If investment interest was greater, prices would be driven higher to bid 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 Glynn, have the twin aim of restoring confidence in the dollar by reducing the trade deficit and by strengthening America's resolve to demonetise gold.

Purely on the basis of figures, Mr Glynn 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.

"This movement away from the dollar will not be continuous, there will be pauses, periods of consolidation, even times of recovery ... but the overall trend is clear and has been so since the breakdown of the Bretton Woods monetary system.

"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."

US gold sold at $187,06

22/6/78 R.D.M.

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 1975.

The Treasury said 165 valid bids were submitted by 31 bidders for 1 036 000 oz. The bids ranged from $172 to $190,29, with successful bids starting at $186,52 and the average yield being $187,06.

The gold was sold to 21 successful bidders and the gross proceeds totalled $56 100 000.

The Treasury says $12 700 000 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.

(79) FM 23/6/78

GOLD 1978

A good outlook

Cons Gold's annual reviews of the bullion market, now in their 11th year, have become established as by far 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 to the markets reached 1 607 t last year, demand proved more than equal to absorbing this near record quantity, at rising prices. The key estimate is that net new supply to the gold markets was worth over $7 500m last year, "easily the largest ever total."

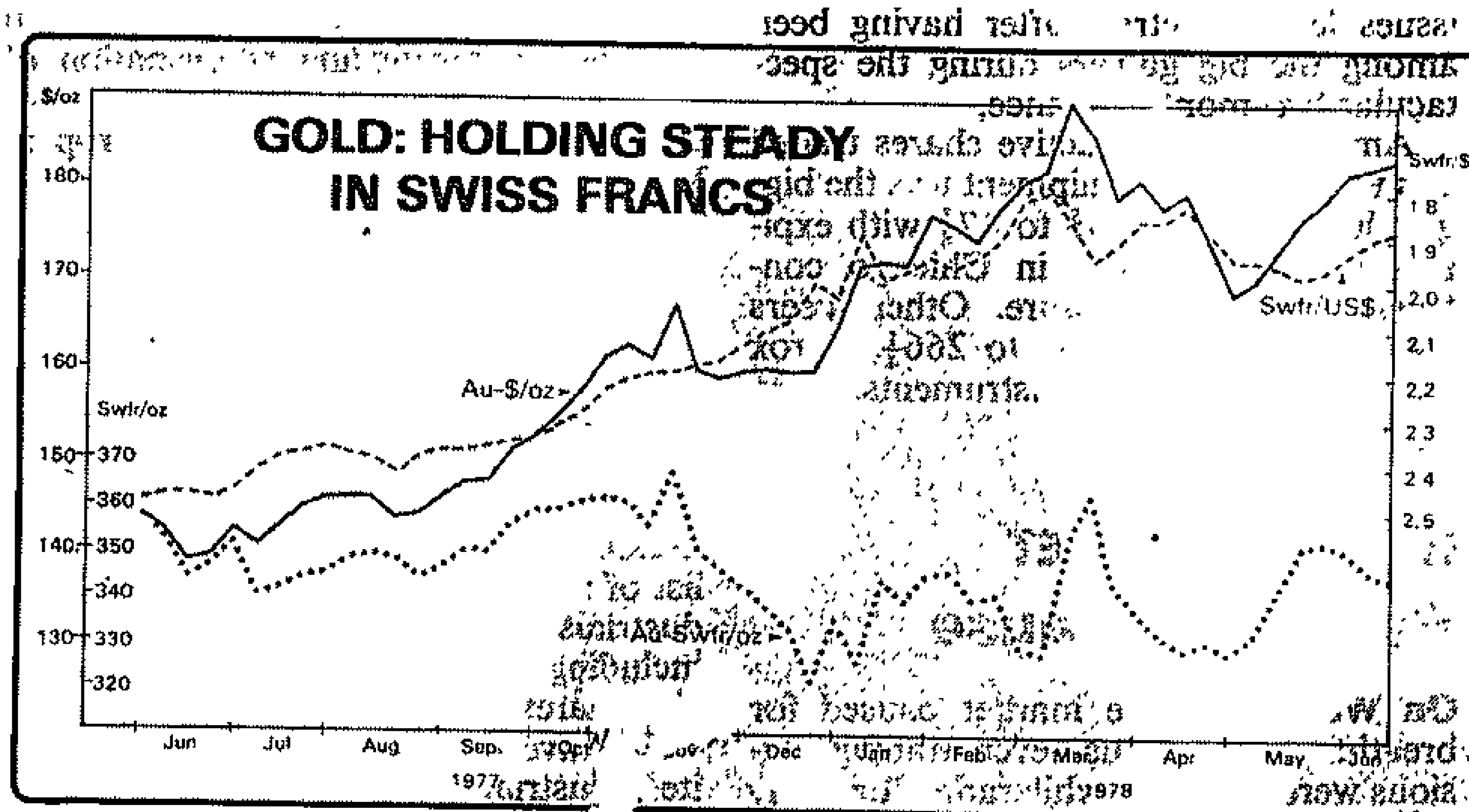
Supply has in the past been greater than 1977's 1 607 t, but only on two occasions. These were in 1967 and 1968, when the market absorbed 2 649 t and 1 836 t respectively. But this was in the days of the gold pool, when the US was still defending the $35 per oz level, and at that price the supply was worth about $3 000m.

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 979 t, or 60% of total net gold supplies. Next in importance were official coins at 136 t, the bulk of which was Krugerrands.

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 gold price. This proved to be the low point and over 1975, 1976 and 1977, jewellery absorption has gone up to 516 t, 932 t and 979 t last year.

The chart shows what has happened.



Although the gold price has receded in dollar terms, in Swiss francs it has been more stable and even at the current $187 gold costs less in Sw Fr and other hard currencies than it did in 1974. So jewellery offtake 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 on the supply side, perhaps not for some years, and expects a total coming onto the market of 1 450 t-1 650 t. SA production will probably stay in the 700 t-720 t area up to about 1981.

On the demand side, total fabrication is also expected to be about 1 400 t, leaving 50 t-200 t for investment. But as *Gold 1978* says, this represents between $300m-$1 500m 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 1m oz against 300 000 oz on offer, and a reduction of IMF offerings to accomodate 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 illiquid countries like Portugal. The US sales, he says, may continue into 1979 unless the dollar decline is halted. His conclusion: "Present prices are sustainable and any increase in investment buying will drive them higher." Cons Gold does not suggest how likely a development this is, but most people will rate it odds-on.

(79)

More Americans are investing in gold

JOHANNESBURG — Gold appears to have gained a foothold in the portfolios of many American investors — a development of considerable significance for the future demand for gold worldwide.

This encouraging outlook is expounded in Gold 1978, the annual gold survey compiled by Consolidated Gold Fields.

The author of the section dealing specifically with the American market is, however, more 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 current year, however, and 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 369,2 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 the higher prices. Industry inventories have reached a high level of 61,6 tons, equivalent to 37 per cent of total annual fabrication.

"Thus, unless there is a large upsurge in investment demand triggered by continued and 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 it not been for this, the gold price would have risen higher.

Given the strength of aggregate demand, IMF sales reached 187,6 tons last year, of which 138,6 tons was sold in the United States with the balance delivered in London and Paris. In addition there were large increases in sales from official accounts held in the Federal Reserve in New York.

In addition to these sales, imports last year almost doubled to 131,1 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 537,1 tons — up 71,7 per cent over 1976.

Exports more than doubled last year to 218,1 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 tons, excluding coins, compared with 223,2 tons in 1976. If coin purchases are added, total purchases in 1977 were 369,2 tons.

Looking at the investment side, the survey adds 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 71,8 tons.

Investor demand for Krugerrands continued vigorously and total imports rose by 21 per cent to 50,2 tons.

There was a significant increase in fabrication of gold for medallions and other investment-type products from 4,8 tons to 8,6 tons.

Jewellery demand increased substantially in 1977, while the use of gold in dentistry rose modestly by 9,2 per cent.

Mr Christopher Glynn, author of the authoritative annual survey of the international gold market, predicts the gold price is likely to average $180 this year and adds. "While it would be preferable if any further rises followed a modest annual increase, price movements are likely to occur in humps and valleys."

Reviewing 1977, Mr Glynn describes the year as a record one with supplies to the market reaching 1 607 tons — the largest ever apart from the dramatic years of 1967 and 1968 when central banks were forced to supply gold to private purchasers at the fixed price of $35 an ounce — DDC.

79

SUNDAY TIMES, Business Times, June 25, 1978.

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 forcasts 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 1 387 t exceeded total sales of 1 366 t from the producers: South Africa, Russia and the rest of the world.

In 1977, official sales jumped from 70 t to 241 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 $103 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 heady 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.

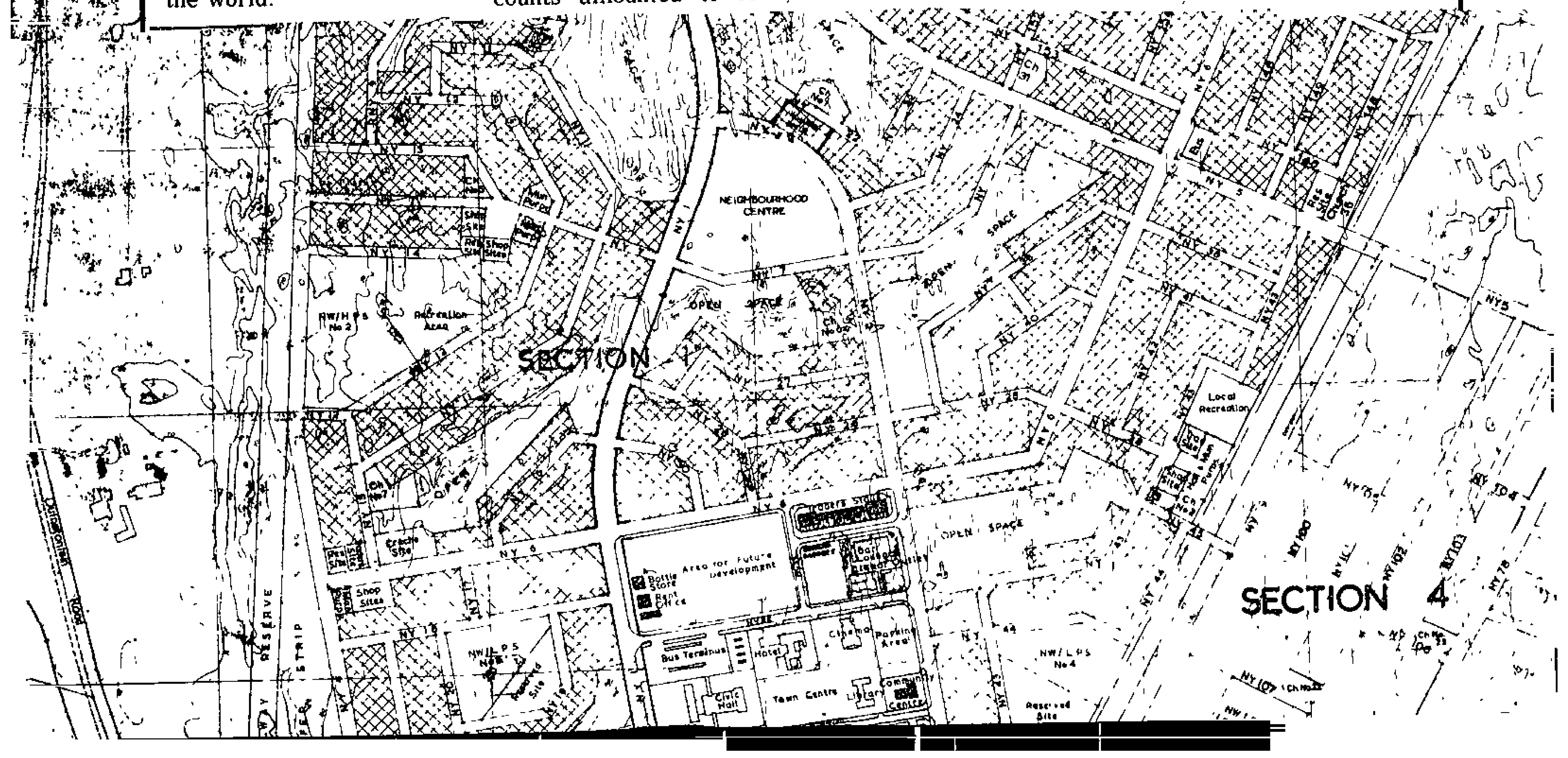
Investment demand has thus matched official sales of gold.

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 1 450 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 $180, 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

STAR 27/6/1978

(79)

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 bolted 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 argues that the whole system of price control should come under review. The chamber itself urged the gradual abolition of price control to allow the market place to determine new prices on as many items as possible.

It was not only controls on prices that came under attack. He also advocated the removal of constraints on labour utilisation, foreign exchange markets and the whole monetary system to allow market forces to set the pace.

NOT ALL GLOOM

Still, it was not by any means all gloom.

Mr Van den Bosch put the final tally on the value of SA mineral sales last year at a record breaking R5 531m — or 23,1 percent up on 1976. And he forecast a further rise in earnings in 1978.

The potential existed for further substantial investment in gold along with more participation in the bullion market by the central banks which should serve to improve the depth and stability of gold.

But every effort should be made to promote a still better growth in exports to hold the current account in surplus as long as possible.

The surplus, he said, would come under intense pressure if the economy moved into a more vigorous phase and imports titled higher.

GOLD

13 July 1978 – December 1978

13/7/78
to
Dec 1978

More gold for market this year

RBM 13/7/78

(79)

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 1 000 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, totalling a net 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 1 201 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 which at an average price of $180 an ounce amounts to $1 300-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 on 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 profit," says the bank. — Reuter.

14/7/78 79

GOLD COINS 79

Market leader FM 14/7/78

Krugerrand export sales have plunged from January levels. And German investors are repotedly *selling* Krugers while other countries, such as Canada, are 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).

Mackey-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.

(79) 21/7/78 Star

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 190-dollar barrier to nose back near the peaks it touched in the 1974 gold boom.

The rise in the bullion price took it to 191,15 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 10 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 23 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 Riekert, 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. Vaal 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.

- **JSE market report — Page 12.**
- **Mine quarterly results — Page 13.**

'Gold heading for $250 in few months'

(9)

24/7/78

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 two-day run up in the gold price to a three-year peak of 191,75 dollars in London at the weekend close.

He bases his forecast on the relationship between the net short term indebtedness of the United States and its gold holdings of 277m 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 500m dollars (R181 300m), 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 100m dollars (R52 260m) was covered only by the "financial asset" of the US gold reserves of 277m 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."

But now, he says, "inflationary pressures seem likely to ensure that the gold price moves up in line with the notional celing during the rest of 1978.

"The United States has recently seen price indices once again moving up at annualised 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 getting out of hand and the strong conservative forces, always latent in American society, reassert themselves and push the economy back into recession.

"By April next year, the current expansionary 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," concludes Mr Murphy.

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RDM 25/7/78

Gold boom boosts SA

(79)

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

But the gold boom will mainly enable South Africa to offset the large amounts of capital that are still leaving the country for political and other reasons.

There is also a heavy burden of foreign debt that was incurred particularly in 1975-76 and which is being steadily repaid.

Once that burden has been lifted the opportunities for more growth and more jobs will be much greater.

The basic reason for the new gold upsurge — the price was only $1[illegible] at the end of April — is continuing world doubt about the strength of the dollar.

The United States currency has been tumbling on major foreign exchange markets against strong currencies such as the West

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.

Nor 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.

25/7/78

(79)

Gold outstrips major currencies' appreciation

By NEIL BEHRMANN

LONDON. — Investment demand for gold increased yesterday on the Lex column of the Financial Times which said that gold would go above its all-time high of $197,50 this week. That high was reached in 1974.

Since April when the United States authorities announced the start of monthly sales, gold's price has outperformed even harder currencies.

Against the dollar, gold has risen by 17%; by 9% against the Swiss franc; 16% on the mark; and 10,3% on sterling.

It even rose by a half a per cent against the strongest currency of all — the yen.

The gold price rise was fuelled by reports that an Opec committee had recommended that oil prices be linked to a basket of currencies instead of the dollar.

In the past week, there has been especially strong demand for gold from the Far East. European institutions have also entered the market.

The World Bank recently estimated that 75% to 80% of the accumulated Opec surplus is in dollars. For more than a year the oil nations have been disturbed by the erosion of the dollar which has lost about 17% of its buying power since the beginning of 1976.

This year the Saudi Arabian Monetary Agency published a breakdown of its foreign assets.

A Financial Times survey on Arab banking and finance estimates that in June, 1977, gross foreign assets of the agency were equivalent to $53 000-million.

The breakdown of the investments is $25 000-million in bonds; $22 700-million in deposits with banks abroad, $3 300-million in convertible foreign exchange and $155-millio in gold.

A London foreign exchange manager says the story that the Arabs will peg their currencies to a basket of currencies has been around for some time.

He believes the dollar will continue to slide against the harder currencies, especially the Swiss franc and the yen.

Following the Bonn agreement, he would be surprised to see the United States slam on exchange controls to hold the dollar because this action would not be in the spirit of the accord.

"People become conditioned to high prices and lower rates," he says. "With inflation continuing, the public will become conditioned to gold prices of these heights and a yen-dollar rate of below 200.

"This does not imply a collapse. We are merely dealing with different numbers."

ENGLISH II

(N.B. This ... t as we go along.
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WEEKS 1. W. BLAKE* ... ng (p12)
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5. W. WORDSWOR... xford Wordsworth Poetical
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6. S. COLERIDGE ... short loan Chs.14,15 & 18)

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Gold rallies after fixing fall

RDM 26/7/78

79

LONDON. — The price of gold rallied after dipping to $193,30 at the second fixing in London yesterday. It was fixed at $194,05 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/$195,60 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 heady 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 195,10 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.

CLOSING prices: London $194,60; Paris $194,04; Frankfurt $193,36; Zurich $193,875; Hong Kong $192,19.

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 1,77375 — its 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

12. T. HUGHES — Crow Goes Hunting (roneoed sheet)
Thought Fox (roneoed sheet)

13. W.B. YEATS — Circus Animals Desertion (Macmillan Collected p391)

14. L. MACNEICE — To Posterity (roneoed sheet)
D.J. ENRIGHT — Blue Umbrellas (roneoed sheet)

15. R. GRAVES — The Cool Web (roneoed sheet)

VAC——————————————————

RDM 27/7/78

(79)

Jitters as gold price rises

LONDON. — The price of gold rose in London yesterday as the dollar moved erratically. Gold was fixed at $194,30 in the afternoon and at $194,70 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 $194,25/75.

It closed at $194,20/194,60 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 195,70 opening and 195,50 at Tuesday's close. It fell briefly to a post-war low of 194,50 in late trading.

Although the dollar retreated before the yen, it gained against major currencies of Western Europe.

The reason for the relative strength of the dollar against the mark, Swiss franc and sterling seemed to be that some foreign exchange dealers expected the news from America might not be bad.

The possibility that the June trade figures might show a smaller deficit than expected prompted a wave of dollar buying from dealers hoping to cash in on a strengthening of the dollar after the figures are announced.

However, some London dealers said the dollar's recovery was technical, and it might weaken again.

The dollar traded around 2,0543 marks in London — well up on Tuesday's closing 2,0470. It moved up to 1,7823 Swiss francs from 1,7778 and sterling weakened to $1,9238 from $1,9259 overnight.

In Tokyo, the Bank of Japan Governor, Mr Teiichiro Morianage, said the yen had risen too far, and Japan should ask the United States to stabilise it.

The Japanese bank has bought an estimated $850-million this week. — Sapa-Reuter.

CLOSING prices: London $194; Paris $195,35; Frankfurt $194,79; Zurich $194,375; Hong Kong, closed, typhoon. The average second fixing price for the year is $179,59.

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13. The ZAIRE RIVER ... to the SEA than the NILE, and flows ...
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16. Large HYDRO-ELECTRIC PLANTS a... KARIBA and CABORA DAMS.
17. The NIGER rises in the FUTA JAL... WEST AFRICA, and flows into the GULF of GUINEA.
18. The LIMPOPO forms the BOUNDARY between RHODESIA and the REPUBLIC of SOUTH AFRICA ...
19. The ORANGE ... begins in the DRAKENSBERGE and flows into the ATLANTIC OCEAN.
20. The GREAT LAKES ... RIFT VALLEY of EAST Africa.
21. They are LAKE VICTORIA ... LAKE RUDOLF, LAKE ALBERT, LAKE EDWARD ... and LAKE MALAWI.
22. There are more ... CONTINENT of AFRICA.
23. The EQUATOR ... AFRICA.
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25. The TROPIC of ... AFRICA.
26. Since the EQUATOR ... part of the CONTINENT lies in the NORTHERN ... SOUTHERN HEMISPHERE.
27. The MEDITERRANEAN SEA ... shores of the CONTINENT.
28. The ATLANTIC OCEAN ... of AFRICA.
29. The INDIAN OCEAN ... of AFRICA.
30. The ISTHMUS of SUEZ joins the MEDITERRANEAN and RED SEAS, and thus forms a link with the INDIAN OCEAN. It provides an important SEA-ROUTE with the EAST.
31. The ISTHMUS of SUEZ joins the CONTINENT of AFRICA to ASIA MINOR.
32. The RED SEA separates ARABIA from AFRICA.

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Futures nudge $200

Bullion finally cracks the 1974 price record

Star 28/7/78

79

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 199,40 and 200 dollars precisely.

The steep climb carried spot gold 3,50 dollars higher than the 194,25 dollars close in London, where the market closed earlier because of the 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 685m to push the first six-month total over R3 300m.
- 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.

However, two moves announced yesterday showed that summit commitments were not being ignored:

- The West German government reached broad agreement on plans to stimulate its economy with a 6,9 percent boost to its budget.

In Japan a special Government team seeking ways to cut the huge trade surplus decided on increasing emergency imports beyond the first target of 4 000m 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 refuge from currency gyrations.

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 300m 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

FM 28/7/78

79

What it means

The gold boom is working wonders for confidence. Gold shares are boosting the stock market and this, in turn, is improving economists' and investors' interpretations of how the economy is shaping up. The consequent optimism is feeding through to producer and consumer alike.

But it is not only the stock market and morale that is benefiting. More tangible benefits are coming in the form of:

- Higher foreign exchange earnings. Each time the average annual gold price goes up by $10, SA's annual export earnings go up by roughly R200m. For the first six months of this year the average price ($178,11) was $33 above last year's ($144,6). If this improvement is maintained in the second half of the year it means an improvement in gold export earnings in excess of R600m. But if the gold price averages roughly $190 an ounce for the year it will mean that the increase in gold earnings (R900m) will be twice the amount by which they increased last year.
- Higher tax revenue. In his budget speech Finance Minister Owen Horwood estimated receipts of R580m from gold mines' taxes and leases. Estimates show, however, (FM July 14) that gold mines should pay 40% of this (R230m) for the June quarter alone. If the gold price continues to hold around $180 to $190, it will give Horwood roughly R200m to R250m more than he bargained for and plenty of room to manoeuvre in his policy of "growth with financial discipline." And although it is dangerous to rely on a high gold price, the present position looks strong enough to give added impetus to Horwood's next prod to the economy.
- 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.

4. What factors prevent you from employing more Africans as technicians than you indicated in the previous question? Is it because of any of the following? Indicate the 3 factors which you see as being the most important.

a) Fear of reactions of White employees.
b) Apprenticeship Board restrictions.
c) Separate offices/toilets/canteens required by law.
d) Trade Union/Industrial Council restrictions.
e) Red tape associated with employment of Africans.
f) Assumed illegality of placing Whites under Africans.
g) Job reservation.
h) Assumed legal restrictions.
i) Fear of friction and hostility among different African groups.
j) Reactions of customers or public.
k) Africans unqualified/inexperienced.
l) Africans not regarded as capable/correctly orientated.
m) Other (please specif

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Urgent 1 2 3 4

RDM 29/7/78 (79)

Gold zooms past the $200 mark —and SA smiles

By HOWARD PREECE
Financial Editor

GOLD rose above $200 for the first time in history yesterday to be fixed at $201,30 in London.

The morning fixing was $198,80. The previous record was $197,75 at the end of December, 1975.

Continuing world doubts about the dollar are the reason for the new gold surge.

Senator Owen Horwood, the Minister of Finance, said in Pretoria yesterday that the record gold price was a vindication of the persistent South African view that gold could not be pushed out of the international monetary system.

The gold boom "is conclusive proof that under conditions of currency instability and general uncertainty people generally will always prefer gold to paper money," he said.

Mr P A von Wielligh, the president of the Chamber of Mines, said in Johannesburg: "The present upsurge has come at a time of normally low demand as a consequence of international concern about the United States economy.

"Should that concern be lessened significantly it would not be surprising to see a correction in the price.

"Experience has taught us that rapid rises can be followed by correspondingly abrupt readjustments."

The smashing of the $200 barrier was the realisation of a dream of the State President, Dr Nico Diederichs, writes **GERALD REILLY.**

When he was Minister of Finance, Dr Diederichs waged an international campaign against the efforts of the United States to demonetise gold.

He became known as South Africa's Mr Gold and forecast, after the two-tier price system came into operation, that gold would one day climb to $200 an ounce and higher.

Another man who fought for gold's recognition in the '50s and '60s, a former ambassador to the United States and High Commissioner in London, Dr J E Holloway, said the world now realised that "a dirty piece of paper was not money."

Dr Holloway said the aim of the United States to demonetise gold had failed miserably and, although gold would continue to fluctuate in price, its position as a measure and store of value was unassailable.

The Mail's political staff reports that Senator Horwood also reassured South Africa that the Government was keeping a constant watch on the dollar's slide and South Africa's link with the waning currency.

"The De Kok Commission is giving preferential treatment to the question of the rand's exchange rate and I am hoping for an interim report on the issue in the next few months," he said.

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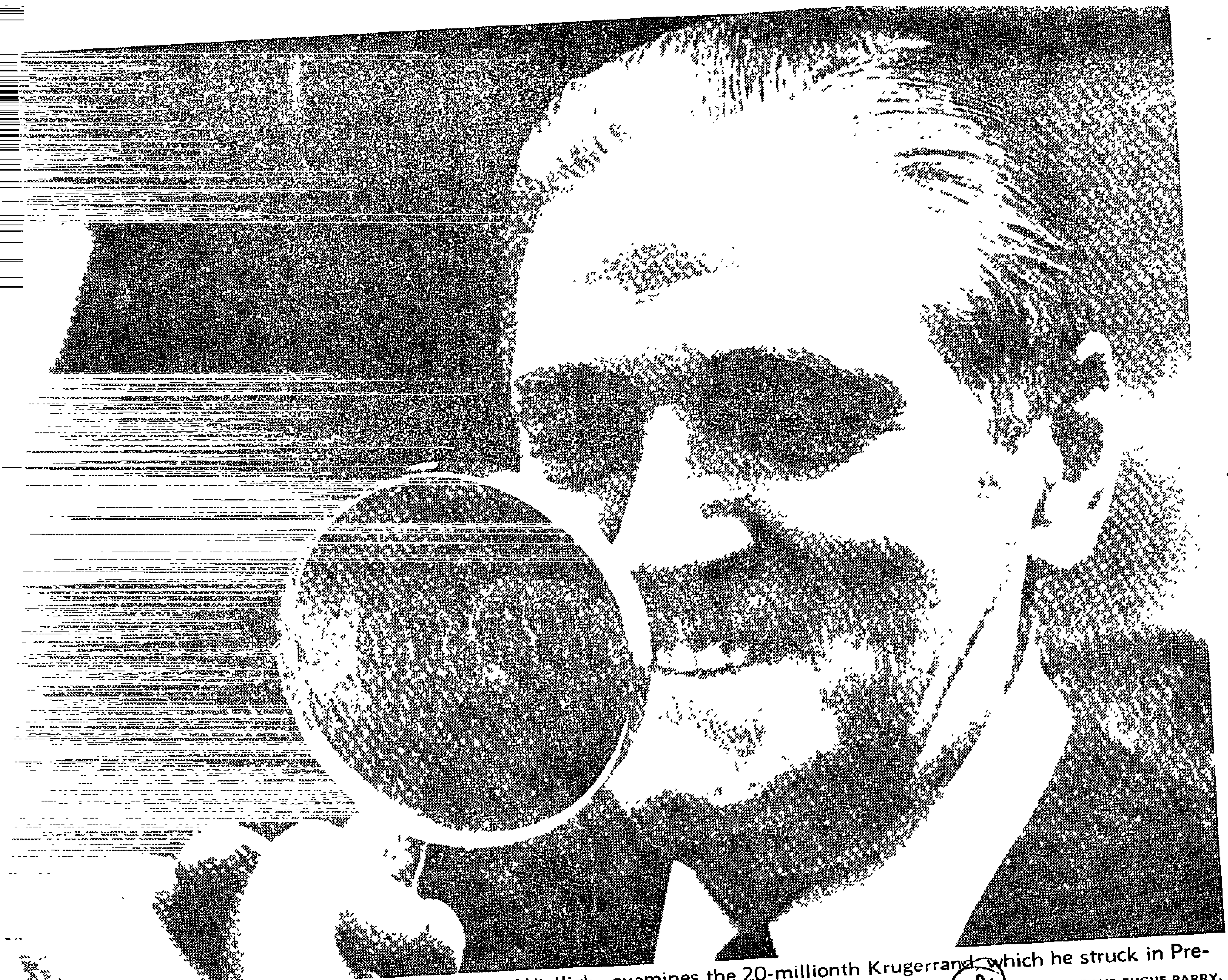

The president of the Chamber of Mines, Mr P A von Wielligh, examines the 20-millionth Krugerrand, which he struck in Pretoria yesterday.

Picture: DAVE PUGHE-PARRY.

29/7/78 (79) R.D.M.

R2 300 000 000 000, more or less

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 300 000 000 000 sinct the first one was struck in 1967.

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 is arising from the weakness of the US dollar," he said.

asting verlig as prys hou

Rapport 30/7/78

)-PASELLA

19

Deur WILLEM LAUBSCHER

AS Vrydag se rekord-goudprys van 201,30 dollar per ons hou, of selfs nog styg, kan Jan Burger hom moontlik begin klaarmaak vir 'n belastingverligting in die volgende begroting.

Dit is een van die newe-effekte wat 'n konstant hoër goudprys vir die man op straat kan inhou. In Maart het min. Owen Horwood in sy begroting die verwagte belasting van die goudmyne se kant baie konserwatief bereken.

In daardie stadium was die goudprys in die omgewing van 180 dollar per ons — seker 'n hele kappie bokant die prys waarop die Minister sy beraamde inkomste gegrond het.

Dit werk so dat die belastingskaal 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 land se 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 hap sal kry.

So 'n ekstra inkomste kan gebruik word om Jan Burger se belastinglas te verlig.

Soos gebruiklik sal die goudprys vorentoe weer sak. Maar die sg. korreksie sal volgens kenners 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.

Kwale dokter

Dr. Gerhard de Kock, spesiale adviseur van die Minister van Finansies, het gister aan RAPPORT gesê die tydsberekening met die rekordprys kon kwalik meer geleë gewees het.

Dit kan o.m. drie belangrike kwale help dokter:

* Die betalingsbalans versterk;

* Die groeikoers mettertyd aanhelp;

* Die sielkundige klimaat grootliks verbeter.

Dr. De Kock meen nie dat die hoër goudprys dieselfde bestedingsmanie van die vorige hoogtepunt van 1974 tot gevolg sal hê nie. Ons het waardevolle lesse uit daardie jare geleer, en 'n 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 oplewing in die ekonomie, met 'n groeikoers van 7 persent. Die ekonomie was toe warm. Nou is dit koud, met die draaipunt in die ekonomie wat maar eers einde verlede jaar bereik is. En ons verwagte groeikoers vir vanjaar is maar tussen 2 en 3 persent.

Juis daarom, met die verwagte groei nie so hoog nie, kan die ekstra inkomste uit 'n hoër goudprys ons ekonomie daardie stootjie gee wat hom na 'n vinniger pas kan laat oorslaan.

Een belangrike ding wat die hoë goudprys nou ook andermaal getoon het, is dat die wêreld hom nie veel steur aan wat sy leiers van die ekonomie sê nie. Die Bonnberaad, waarop die sewe Grotes van die Weste die wêreldekonomie met 'n sterk verklaring van voornemens wou regpraat, het weinig indruk gemaak.

Die wêreld het kwalik tien dae ná die beraad net eenvoudig gesê die Kaap is allermins Hollands — ons sit eerder ons geld in goud, diamante en platina — dinge wat vastigheid bied in 'n onsekerheid.

Soos min. Horwood dit Vrydag gestel het: Die volgehoue sterkte van die goudmark is afdoende bewys dat die monetêre owerhede en die publiek in tye van algemene onsekerheid en onstabiele geldeenhede goud steeds bo papiergeld sal verkies.

A saga of success for gold — but what of future?

(79)

Sun. Times Bus. 30/7/78

Business Times European Editor, Neil Behrmann, looks at the highlights in gold's battle to new heights, and examines the prospects as the metal stands at the magical $200 mark.

LONDON. — It has taken a long time for gold to reach heights almost unthinkable to South Africans ten years ago. From 1933 — when President Roosevelt devalued the dollar, banned individual possession of gold, and pegged the metal at $35 an ounce — to 1970, economists in South Africa appealed for a doubling of the gold price.

With two-thirds of the world's gold stocks transferred to the United States during the depression of the thirties and the war years, the dollar became the standard of value.

One of the aims at the Bretton Woods conference in 1944 was to avoid unjustifiable devaluations and to stabilise exchange rates. The US Treasury was prepared to exchange gold for dollars at the official price of $35 an ounce. But as the world economy expanded, more dollars were printed and inflation crept onwards.

By 1960, rumours of imminent dollar devaluation created considerable uncertainty in foreign exchange markets. There was a run into gold and for a short time the price was forced up to $40 an ounce. Fearful of the developments, the major European central banks united with the Americans and formed the gold pool.

The gold pool acted as a selling syndicate to keep the price at $35 an ounce. But it also bought gold when Russia entered the market as a heavy supplier.

At the time of the sterling crises — from 1964 to 1967 — there was massive demand for gold. The French student unrest, followed by the devaluation of the franc in 1968, aggravated matters. Gold losses reached almost $3-billion or, at a price of $35 an ounce, almost 86-million ounces.

It was hardly surprising that market forces soon prevailed and in March, 1968, the two-tier market was created. In terms of this arrangement, the central banks of the leading industrialised nations were allowed to buy and sell gold from each other at the official price of $35 an ounce. All other transactions were executed at a genuine free market price.

From 1933 to 1968, gold proved to be one of the worst hedges against inflation. But from the establishment of the free market a decade ago, it has appreciated by more than 450 per cent — well ahead of accelerating inflation during this period.

The recession from 1969 to 1970, and decline in industrial gold consumption, kept prices in a narrow range of $35 to $43. When business began to recover in 1971, industrial demand for gold increased. The realignment of the major currencies, and the dollar devaluation, helped keep gold on the boil and took the price to $70.

In 1973, after excessive monetary expansion world wide, accelerating inflation, depreciation of paper money and international monetary stability pushed the price to $120. In this period, commodity prices were soaring and it was evident that speculative demand had taken hold.

In the opening months of 1974, the oil crisis created another panic. The price of gold rose to $185 and then fell back to $130 by mid-year.

The final surge came in the last quarter of 1974, when Americans were again permitted to own gold. The peak was $197,50.

But this proved to be the end an incredible bull market. The US Treasury announced the first of a series of gold auctions. Americans, taking advantage of a buoyant stock market, did not rush into gold and the price began to drift into a bear trend.

The dollar recovered dramatically and Wall Street boomed. Another US gold auction increased supplies, while there were heavy Russian sales and some gold dumping from, Eastern, Italian and Portuguese sources.

The IMF agreed to sell a sixth of its gold stock and the price fell sharply to $128. Investors who had bought heavily in 1974 and 1975 were dumping gold, and with IMF auctions unsettling the market in 1976, gold dropped to a low of $103 in August, 1976.

Since that date, industrial and Middle-Eastern demand steadied the market. It was evident that the market could absorb the IMF sales with ease and toward the end of 1977, investors were drawn into the market again, this time because of renewed uncertainty about the dollar.

In March, this year, the price touched $190 again. It fell $20 on the announcement of renewed Treasury sales, but it is evident once again that the market has been able to absorb these sales with ease.

With gold reaching $200 on Friday and the consensus that it will only be a matter of time before the price pushes higher, what will the price be in 1988?

A foreign exchange dealer, examining the appreciation of the yen and Swiss franc, says it is now a game of numbers. Despite all anti-inflationary efforts, the average inflation rate of the 24-member nations of the Organisation for Economic Co-operation and Development (OECD) is 8 per cent, compared with 10 per cent in 1976 and 1977.

At this rate, prices double in less than 10 years. By 1988, the $200 barrier, could be just one of a series of support levels — similar to the $100 floor in August, 1976.

Wall St bullish as bullion soars

Sun. Times Bus. 30/7/78 (79)

By JIM SRODES

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 expected out 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 levelled off: The US Treasury reports that gold bullion imports during June netted out at 964 000 ounces, with industrial shipments especially high.

If the pace continues through the year, nearly 12-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 3-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 despite the 300 000 ounce a month sales the Treasury has held since May.

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

Tutorial
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Tuto

HISTORY HONOURS 1978

Southern Africa since 1910

ECONOMICS HONOURS 1978

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Gold boom underpins the rand

RBM 31/7/78

79

LESS South African gold on the bullion markets; no question of a rand devaluation; and further stimulation of the economy are likely consequences of the latest run-up in the gold price, say bankers in Johannesburg..

Krugerrand sales in July have reflected the increase in the gold price, and figures for the month of around 400 000 coins (21% of total gold output) are expected, compared with 222 000 coins (12%) sold in June.

If the gold price improvement continues to outstrip the dollar's fall to the extent it has, Krugerrand sales could approach the 500 000 (30%) of the beginning of the year.

One immediate consequence of the record gold price is to rule out any devaluation of the rand and to boost further the surplus on the current account of the balance of payments.

Bankers estimate that if the gold price were to hold around \$190 for the rest of the year, South Africa could end 1978 with a surplus of more than R1 300-million compared with a R750-million surplus last year.

A \$10 an ounce increase in the gold price means an increase of R200-million to South Africa's annual export earnings

In the first two quarters of this year, the gold price has averaged around \$178, but this month it is averaging \$187.

The Minister of Finance, Senator Horwood, budgeted for R580-million by way of tax receipts from gold mines in 1978, but on current gold price levels this would prove to be extremely conservative, reports Reuter.

NEIL BEHRMANN reports from London that at \$200 an ounce, South African gold sales would earn nearly R4 000-million a year compared with R2 795-million in 1977.

The run into gold has again been caused by uncertainty about the dollar. Foreign exchange markets, disappointed with the Bonn summit, were soon in turmoil. Funds were shifted out of dollars into stronger currencies, such as the yen, Swiss franc, mark and even sterling With the dollar weak, investors bought gold and in a fortnight the price rose \$16, or 9%.

International banks have been advising their clients to switch out of dollars because inflation in the United States is accelerating and the country has a huge trade deficit.

With the United States importing more than it is exporting, there is a dollar glut.

The rush into gold has affected the platinum market and in London the price of this major South African export rose to a high of \$267 an ounce.

2/8/78
R.D.M.
(79)

Gold through the roof

LONDON. — The price of gold was fixed at $205,10 in London yesterday after a spectacular leap at the morning session to $207,50 from Monday's second fixing of $200,25.

Yesterday's second fixing was one of the longest in recent years and lasted 75 minutes. When the fixing began gold was trading around $206.

It fluctuated during the fixing session, moving down to $205,50; up to $206,50; down to $204,40; and rising again to the fixing of $205,10.

Gold closed around $204,25/204,65 — similar to the $204/204,50 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 470 000 oz of gold through the bid price method combined to produce rapid and erratic price movements in occasionally hectic trading.

The morning fixing was a record, beating the previous best of $201,30 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 that 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 Market.

IMM prices opened $3 to $5,30 higher and new season highs were set in September through June contracts. On the Comex prices were up $2,80 to $5,10.

The gold market in Paris was active yesterday on private and industrial interest with the price rising to 29 000 francs a kg at the afternoon fixing — up 150 francs from midday.

The dollar equivalent, at $206,09, was about the same as in London, which contrasted with the slight discount which had been apparent in recent days.

Gold rose the equivalent of $4,97 yesterday to $202,18 in Hong Kong.

The dollar dropped to another post-war low on the Tokyo foreign exchange. It closed at 187,95 yen from 190,80 yen at Monday's close.

Tokyo dealers said the dollar continued its slide against the surging 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 187,38 yen in London, but this was lower than the Tokyo closing rate. The dollar dropped through 200 yen in Tokyo on July 24.

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 6 412 kg from 1 896 kg in May and 3 668 kg in June, 1977.**

Imports comprised 5 038 kg (503 kg in May) from Britain; Switzerland 382 kg (1 094 kg); Australia 792a kg (299 kg); and France 200 kg (nil). Re-exports, all to Taiwan, fell to 28 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.

Seven days on the trot

THE dollar's losing streak against the yen extended to a seventh consecutive trading day of post war record lows 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 $1,64 to $1,76 in slightly more than a week. In late May, at an exchange rate of 229, it would have been $1,44.

• **The average second fixing for gold in London this year is $180,15.**

5. The White man's burden: the realities.

In the British in Northern Nigeria an American historian Robert Heussler describes the practical work of colonial officials:

At the grass-roots, Anglo-African government was Assistant District Officers touring the countryside on horseback. In this way Europe reached out and touched the face of Africa, watched its contortions and was watched in turn, tried and failed and tried again for half a century to make the people and their land change by an inch or two. Africa now saw the future close up, winced under the gentle lash of his strange urging, went its stubborn way again as he rode off, and found, later on and to its wonderment, that some of what he had attempted was not entirely to be despised. . . . .

DD 3/8/78 (79)

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 cent fall in 24 hours.

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 gilder, but lower against the powerful Swiss franc.

The dollar also looked marginally better against the yen in early London dealings. It was quoted at 185,45 yen, up slightly from the Tokyo close of 184,65 yen.

On the London bullion market, gold opened at 203,75 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 nervousness 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 PFP'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.

Their 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 Loor, 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

SUNDAY TRIBUNE, AUGUST 6, 1978

BUREAUX IN LONDON AND NEW YORK

There's something psychological about gold

79

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 in the world monetary order 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 metal," said Frederic Bogart, 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."

Gold 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 favour 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 non-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 new 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 185 to 200 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 965 tons.

There was also a marked increase in gold markets over the last five years, a trend experts say has laid the ground for a comeback by the metal as the hardest currency of them all.

GARTH HEWITT

4. What factors prevent you from employing more Africans as technicians than you indicated in the previous question? Is it because of any of the following? Indicate the 3 factors which you see as being the most important.

a) Fear of reactions of White employees.

b) Apprenticeship Board restrictions.

c) Separate offices/toilets/canteens required by law.

d) Trade Union/Industrial Council restrictions.

e) Red tape associated with employment of Africans.

f) Assumed illegality of placing Whites under Africans.

Job motivation.

R33,7-m in shares traded

Gold boom bonanza

Star 12/8/78

(79)

By Garth Hewitt

The gold price boom — now nudging 212 dollars an ounce — is acting like a tonic on the country's state of confidence.

Stockbrokers are reacting faster to the cure than most.

The volume of shares traded on Hollard Street this week was 13,3m, valued at R33,7-million. Last week's totals were 10,9-million and R27,9-million.

But the benefits should filter through to all. The higher profits for the mines will find their way into the economy, and the pockets of the man in the street, via dividend payments.

The balance of payments is strengthening — for each 10 dollar rise in the gold price brings an extra R200-million a year in foreign exchange earnings.

The higher taxes which will flow from the mines will strengthen Finance Minister Senator Horwood's hand, and his ability to push the economy along further and faster.

But perhaps most important is that confidence on the gold front will spin off into other areas, and help accelerate the pace of growth.

In London gold was fixed yesterday at 211,15 dollars an ounce, and later traded at 211,88. The Zurich price was 211,6.

Only 15 days ago did the price rise above 200 dollars.

● **Watch that place, my boy — Page 7.**

The Natal Mercury
15/8/78

Gold hits 213,50 dollars an ounce

(79)

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 the central banking system held 35 953 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."

Above-ground stocks held by central banks and private investors are, in all likelihood, equal to 50 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 looms 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.

R.D.M (79) 15/8/78

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 authorative Credit Suisse Bulletin.

It says that in 1977, the volume of trading on the gold market rose by 11% to reach 1 607 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 virtually 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 as well as the exploitation of new mines.

A 3% increase in South African output is likely for the year, with aggregate Western production probably reaching 1 000 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 ever-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, offical 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 1 680 tons, or 4,5% above that for 1977.

Gold rises on steady demand

(79)

?/3/78

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 $213,20.

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 $215,50/216,25, compared with the opening $214,50/215,25 and Tuesday's closing $213,25/214,00.

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 favourably.

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 requsted 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 falls 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 $1,9875.

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: 1,9446 marks (compared with 1,9535 on Tuesday night), 1,5845 Swiss francs (1,6050), 4,2255 French francs (4,2175), and 184,20 yen (184,25). — Sapa-Reuter.

79

Business Mail

Gold price takes a tumble

RDM (79) 18/8/78

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 $210,45 in the morning and slumped further in the afternoon to $209.

This compares with Wednesday afternoon's fixing of $215,75.

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 $1,40 to $5.

In Zurich gold closed sharply lower at $208,75/209,50, down from $215,50/216,25 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 $205, unless the United States Treasury announced sales of a large quantity of gold.

In this instance gold could fall below $200 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 $200. 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 past few days.

Krugerrand sales are down in Germany where there has been some dishoarding, 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 swop 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 discounted.

$7 drop on day in London

Gold closed almost $7 lower on the day in London and finished at $208/208,50 compared with Wednesday's closing $214,80/215,20.

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 $208,25; Paris $207,16; Frankfurt $210,18; Zurich $209,125; Hong Kong $207,20.

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.

Gold rides the waves (79) FM 19/5/78

The scramble out of the dollar into hard currencies and the yellow metal has brought out the gold bugs again

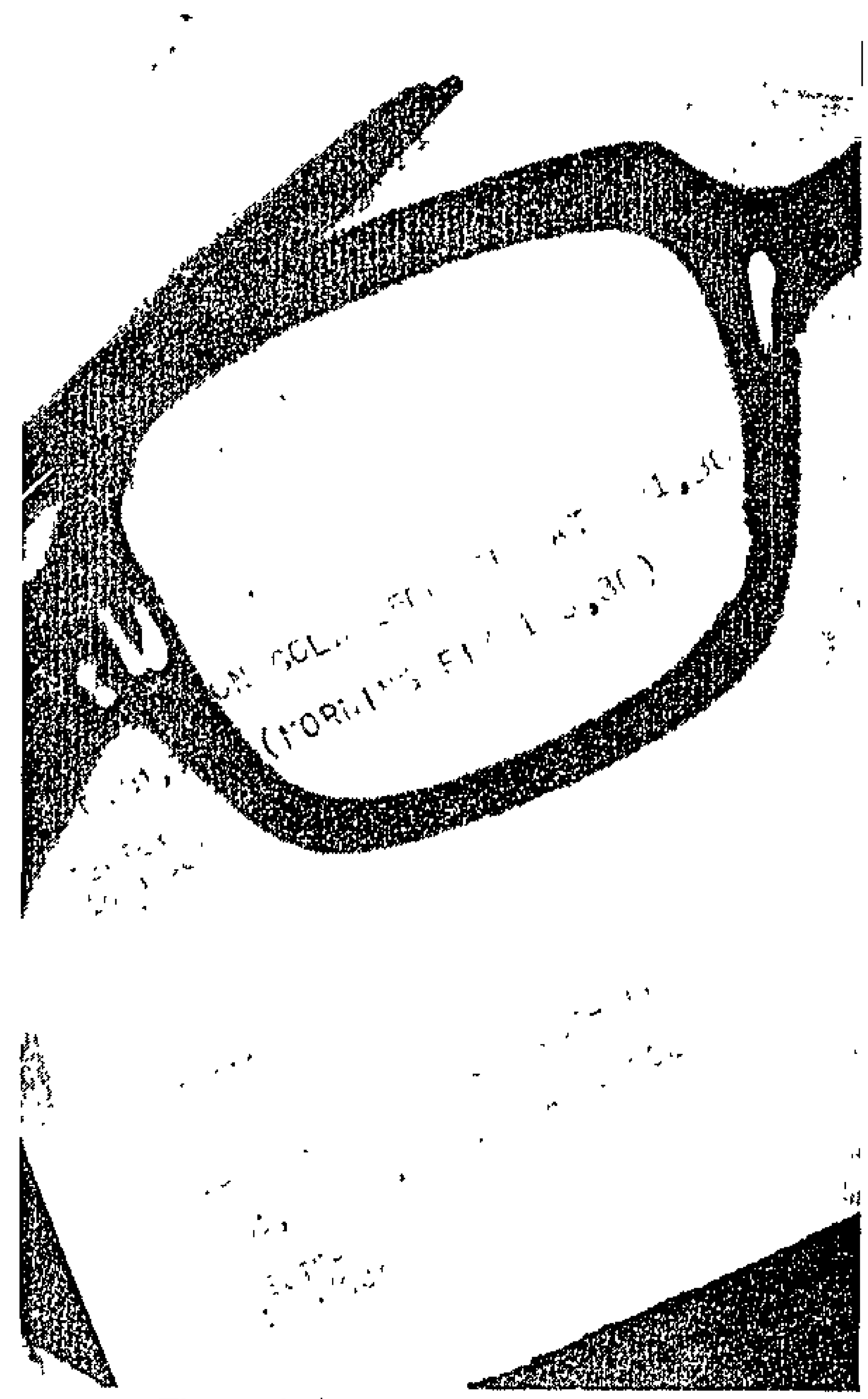
Currency turmoil, never far below the surface, has broken out again. The yen has risen to a post-war high against the dollar at 184 and shows no sign of stabilising, though the pressure on Japan's export-geared economy must be intense. Most other currencies have moved up against the dollar and the Swiss 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."



Through $200 . . . but what's a $?

EEC RESERVES

	Currencies	Gold	Total	20%
		$m		
Germany	31 573	23 595	55 168	11 034
France	4 438	20 281	24 719	4 944
Italy	6 347	16 541	22 888	4 578
UK	18 396	4 435	22 831	4 566
Holland	3 809	10 898	14 707	2 941
Belgium	2 543	8 470	11 013	2 203
Denmark	1 839	382	2 221	444
Ireland	2 036	91	2 127	425
Total	70 981	84 693	155 674	31 135

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 (Miti) announced plans to stockpile gold for industrial use "and to reduce the country's large 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 Bremen 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

79

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 77 C on Thursday, making South African equities that much more expensive for overseas investors.

And the nervousness was confirmed by Thursday's fall in the gold price. Following American statements that the dollar had slid 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 firmer 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 Bishplat are to merge, and talk that Rusplat 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 75 C 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 658 points to around 663.

Greaterman's pyramid holding companies Griffon and Gresham's returned to the lists this week with details of the Fedchem 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 Abercom results, and Huletts 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.

Close	Golds	Metals	Indust	All Market	Volume 000's
Aug 18	385,5	1144,5	665,2	102,6	2559
Aug 17	391,8	1146,7	662,9	103,3	2082
Aug 16	402,6	1157,1	664,6	104,7	2012
Aug 15	407,8	1162,2	663,3	105,2	2530
Aug 14	415,0	1167,6	663,0	106,0	2139
Aug 11	414,6	1149,9	658,3	105,5	2645
Month Ago	380,9	1056,2	633,5	97,0	1990
Year Ago	272,0	1054,7	534,8	79,3	1486
YEAR'S HIGH	415,0	1167,6	665,2	106,0	3435
	14/8	14/8	18/8	14/8	9/8
YEAR'S LOW	265,4	843,3	503,0	77,3	713
	26/8	20/3	14/3	21/3	10/4
Earnings Yield	14,7	14,2	16,2	15,4	
Dividend Yield	7,2	7,0	7,1	7,1	

Base: Golds, Metals and Industrials — 1960 = 100
All Market: 1975 = 100.

Reserve Bank sees economy on the mend

Star 22/8/78 (79)

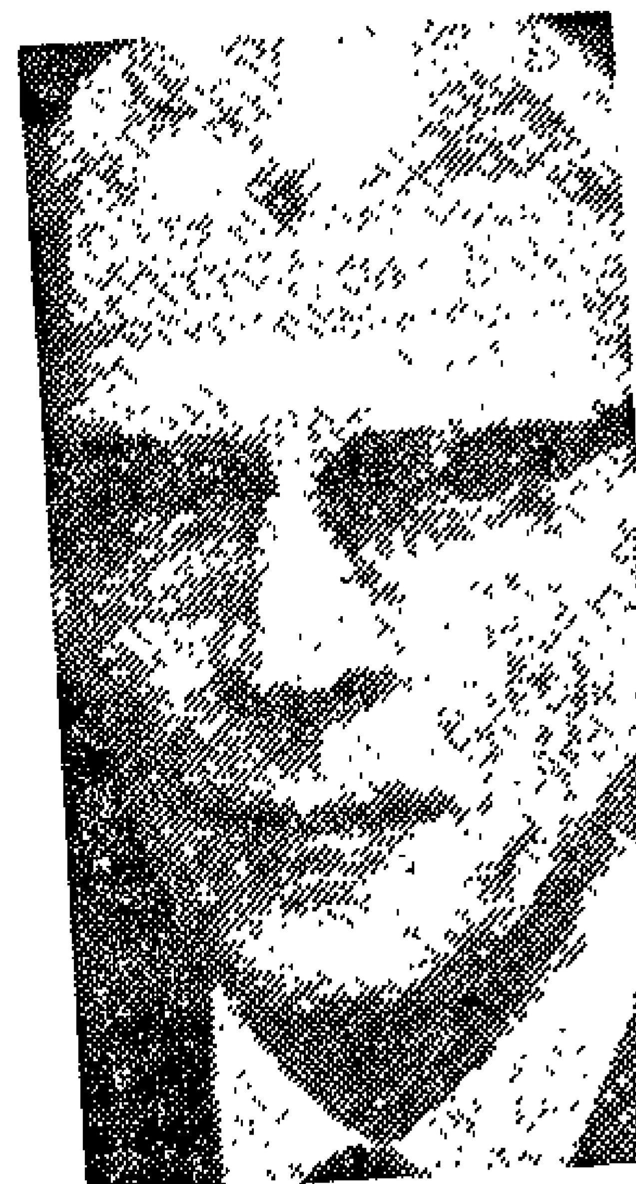
By Michael Chester, Financial Editor

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 — pounded 20 percent higher in the 1977/78 year ended June 30 to reach a record R6 795m. 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 996m in 1975/76 and R353m the next year to a surplus of R984m in the 12 months to June 30.



Dr T W de Jongh, Governor of the Reserve Bank.

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 as 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 512m to R1 669m.

More fretful to the Reserve Bank, however, were capital movements. The net capital outflow soared to R1 064m — 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 R605m 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 R1,929.

But the increase was entirely due to the revaluation 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 th 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 — not at all bad when 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.

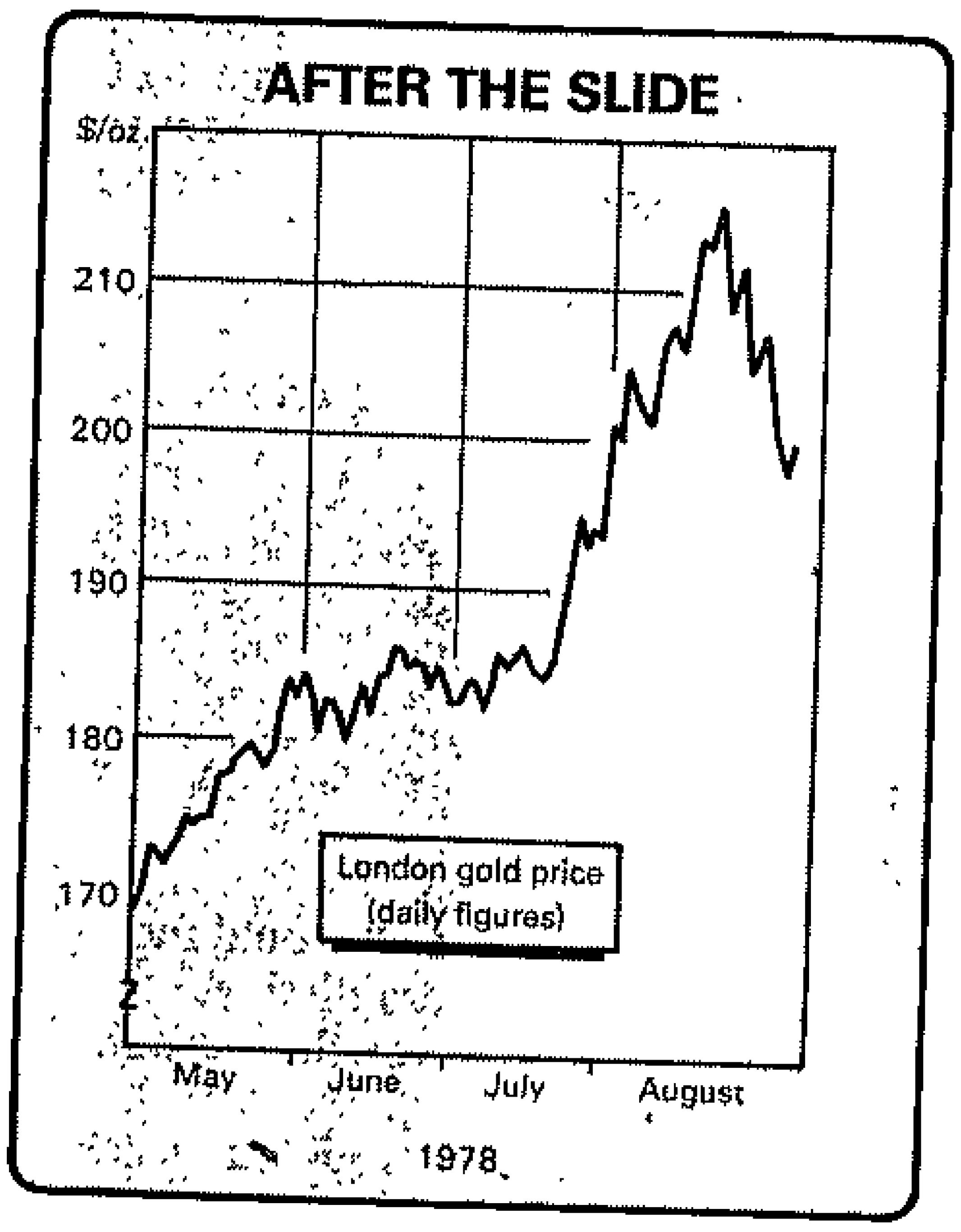
79 FM 25/8/78

GOLD PRICE

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 R198,35, 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 these 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 Drie or 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 Rolfe*

79

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.)

79

Steady, Gold!

Gold, gold, gold and more gold

3/9/78 ~~Fri~~ Sund Tr.

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 jewellery 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 90 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 R1 000 million, could obscure the fact that production, particularly at the Welkom mines, is falling.

The total tonnage milled increased by 11 percent between 1972 and 1978 but production at the Welkom mines had dropped by 37 percent from 341 tons to 214 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 175 percent since 1971, costs have escalated by more than 200 percent and profits by about 140 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.

TABLE 2

THE PERCENTAGE SHARE OF INDUSTRIES IN GDP

Years with initial year	Agriculture, forestry and fishing	Mining and Quarrying	Secondary Industry	Services
1915	22,9	24,7	7,6	44,8
1920	24,3	19,8	9,5	46,4
1925	22,2	20,4	10,1	47,3
1930	23,4	19,1	10,7	46,8
1935	22,2	14,9	14,4	48,5
1940				
1945				
1950				
1955				
1960				
1965				

Otto

Year

1920
1970
1960-64
1970-74

'Neutral' gold auction

79
8/9/78
Rdm

HONG KONG. — The International Monetary Fund gold auction's average price of $212,50 an ounce was a very neutral reflection of world market opinion for most local and international dealers in Hong Kong.

Some dealers were as disappointed as some American operators, who had sold gold down in early trading from its $212,00-50 opening, just below its $212,40-80 New York close.

The sale of 470 000 ounces at record prices between $212,39 and $213,51 was in line with most dealers' expectations, however.

The cut-off price was encouraging, being a little more above the European afternoon fix than usual.

But the amount subscribed for, — 773 200 ounces — largely offset this, being below the previous auction's encouraging 1 467 600 ounces, dealers said.

The market is cautious, preferring to wait for United States reaction.

Operators see gold stuck in the short term in the $210-$212 range unless the dollar moves significantly.

There is strong support at $210 and heavy selling overhangs the market at between $215 and $216.

A trend could develop similar to that when gold stuck in the $184-$187 range before its sudden rise to $200 when the ceiling was breached, dealers say.

They are waiting in the wings for signs of progress in the Camp David talks and on the United States energy bill, although no concrete moves are expected.

The United States Treasury Secretary, Mr Michael Blumenthal's reaffirmation of further American efforts to support the dollar had no impact in the morning's market, nor did the marginally stronger dollar.

Fundamentals are still bullish for gold, although short-term dollar support measures may cut the price intermittently.

Concern about inflation and a trade deficit in the United States, coupled with inaction over an energy policy, are linked to the key determinant of the gold market, which is the dollar's strengths and weaknesses.

The reasons for this were that the rise in agricultural production was not sufficient to keep up with the growth of population and the expansion of railways enabled foreign producers to compete effectively for the new markets. (35) Further problems in agriculture were the scourges of pestilence and droughts, abrupt fluctuations in market price and the shortages of labour experienced by white farmers. As mentioned already, the state played an important role in obtaining a labour supply for white farmers, and it also assumed an increasing role in agriculture in directly assisting farmers through price supports, a marketing policy which raised agricultural prices well above the competitive level and subsidised credit. Shortly before the Second World War agricultural production slowed down again, but intervention by the Stage again reversed the situation.(36) Over the whole post war period, the physical volume of food production has generally grown at faster rates than food ...ble 3. However, the physical volume of livestock kept pace.

...tion would have been any different had the State ...e scale support for white farmers and if the ... of black peasants had not been curbed by "overt ... taken to coerce blacks into working for whites, ...ing on their own account and by the discriminatory ...nomic resources which has rigged the market against ...conclusive. Currently 95% of agricultural output ...e farms, although blacks have 23% of the more

... small percentage of the total food supply has ... Table 4): of these imports, those of meat, ...ls have been in the majority.

...lative prices of food at farm and retail level ...duction had not kept up with demand, food prices ... It appears that there has been no sustained ...ve prices up and down (columns IV and V). Up ...tive prices decreased, but increased thereafter ...line in the late 1950's and early 1960's.

...ave increased faster at the retail level than ... Brand explains this as reflecting a widening ...ucer and consumer prices rather than a shortage. ...since 1970 all prices have increased rapidly with ... prices (column II) exceeding the increase in

Although the data should be treated with some caution, since they may conceal important relative movements between products, it appears that the supply of food has been adequate. Whether the distribution has been adequate will not be considered here.

(35) Wilson, p.115
(36) see Wilson, p. 143 ff
(37) Lipton (1977), p.75
(38) Brand (1969), p.65

22/9/78 R.S.N

79

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 beoming 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 28% 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 reticent on forecasts of any marked appreciation.

From November this year the US treasury will be selling 23 tons of gold a month.

Current bullion market estimates put Western and Eastern bloc sales at an average of 117,5 tons tons a month.

With the higher auctions sales supplies from official sources could be as high as 36,5 tons.

This puts monthly supplies at 154 tons.

Industrial offtake is expected to increase from 116 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 these 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 250 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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higher wages. But we do not a ton either that
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2.17 Remittances to Homelands

Remittances sent by workers' in C in homelands are
of vital importance to the depen ence or absence
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52. Trudi Thomas (1973), p.11.

Gold price reaches new heights

26/9/78
RDM

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 $1,30 lower with the December contract opening at $221,00/220,50 — off $1,80 to $2,30.

Prices on the New York commodity exchange were $1 to $1,80 lower with the October contract opening at $218,00/218,30 — down between $1,30 and $1.

Bullion dealers in London and Zurich say the market is being dominated by speculative activity.

According to bullion analysts, 393 000 contracts of gold were traded on the New York Comex in 1975. The volume rose to 479 000 contracts in 1976 and in 1977, 981 000 contracts were recorded.

In the past four trading weeks, however, about 400 000 contracts have been traded on Comex — an annual rate of 4 800-million 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 1969 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, Penguin Pools and others, which are no longer on the Johannesburg Stock Exchange boards. During those 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 splurge 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, accustomsd 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 40% higher than a year ago. Three months Eurodollars are offering an interest rate of 9,25%, compared with 0,5% 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 price bolsters JSE

By ELIZABETH ROUSE

THE record gold price provided a bolster for a still politically dominated Hollard Street yesterday.

Brokers were expecting a slide in the market, which was pointing to a across the board decline last Friday. Instead the climb in the gold price to over $218 kept everyone on the sidelines.

The main factor in yesterday's market was the choice of Prime Minister. This effectively kept institutions as well as individuals out of the market.

However, a further slide in De Beers on overseas selling reflected nervousness over South West Africa. This naturally did not improve general sentiment.

Trading was quiet even in the gold sector, which normally would have responded with glee over the gold price.

However, the gold futures market turned erratic at the opening of the United States markets, which opened lower in apparent profit-taking after Friday's run up to record highs.

The gold share indicator, the New York Comex, showed opening declines of between $1 to $1,80 with the October contract at $218-$218,30. The volatile US futures market may move into line with London overnight as the dollar was on the skids again.

Gold shares followed the metal's trend as best they could under the political cloud and towards the close of trade 16 counters were higher while 10 declined of the 38 golds traded.

Gains ranged to 75c while losses of up to 25c were seen. Mining houses and holdings were mixed in small turnover. Genmin was off 50c to R35,50.

De Beers recovered to 765c after a low of 760c but the day's loss was a comparatively heavy 27c. Anamint shed 350c to R78,50 and was also off the bottom at the close.

The metals sectors were deathly dull and generally at previous levels. Bisplat lost a couple of cents while Lydenburg firmed a few cents.

Tavistock was a firm feature in coals, gaining 50c.

Gold soars to record $221

RDM 4/10/78

79

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/$221.80.

Gold closed in london around $222/$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 $2,20 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 polummeted to a record late trading low against the powerful mark.

CLOSING prices: London $222; Paris $215,93; Frankfurt $219,11; Zurich $221,175; Hong Kong $215,81.

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 1,5735/65 Swiss francs in Zurich in late trading despite further heavy support intervention, dealers said.

The dollar fell to a record trading low of 1,9115/30 marks in Frankfurt, below the pevious record 1,9125/40 set on August 15.

In London the dollar eased to 1,5700/30 Swiss francs from 1,5860/80 at midday, and sterling rose to $1,9735/45 from $1,9667/73.

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 Dennis 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 1974.

Worldwide Krugerrand sales in September rose 48% to 342 397 coins (over 10 tons of pure gold) and sales in the first nine months of 1978 were over 3 980 000, already above the 1977 total of 3 300 000.

Following the surge of gold, spot London platinum was trading at $292,50 yesterday — near the $300 predicted by dealers a few months ago, reports **NEIL BEHRMANN** from London.

Emphasising the confusion in the gold market, an American commodity service, Green's Commodity Market Comments, was consistently bearish from the $180 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 switchround of forecasts of this and other services plus bullion dealers are an indication on how quickly traders are changing their opinions — showing the speculative nature of the market.

Gold firm despite IMF auction

RDM 6/10/78

(79)

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 $223,57 dollars was acepted at the auction.

The fund received competitive bids of only 805 600 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 auctioions 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 2 400 000 ounces until May next year.

With uncertainty in the currency markets, bullion dealers are reluctant to make any predictions. But three independent London dealders 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 dealders maintain that this represents mainly long positions.

A London merchant banker who advises mtulinational 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 Euromarkets — 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 positoons 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 platiunum 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 homelands have been w... recognised. In recent years people at mission hospitals, particularly, have tried to 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 con... ...t focuses on ... and inspiring commitment from people and on the particular problems and misconceptions which external agencies might have.

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S MAIL

Gold pushes reserves over R2 000m

Rdm 7/10/78 (79)

By HOWARD PREECE

SOUTH AFRICA'S gold and foreign exchange reserves rose to over R2 000-million last month thanks to the upsurge in the gold price.

There was, however, no real change once the market-related revaluation of the gold discount is discounted.

The authorities say, however, that South Africa has resumed repaying some of the continuing burden of foreign debts.

To the extent that that is happening so, of course, are the net reserves improving.

The Reserve Bank says gross gold and foreign assets at the end of September were R2 037-million.

The gold content of R1 654-million was valued at R170,16 an ounce. At the end of August the gold was valued R158,80 an ounce and was worth R1 549-million.

That indicates that there was actually a fall of about 30 000 ounces in the gold holding.

Against this, however, the foreign asset section of the reserves — the real barometer of the overall balance of payments position — rose from R371-million at the end of August to R379-million at the end of last month.

Thus the net change in the gross reserves, apart from the gold valuation, was minimal.

Between the beginning of April 1977 and the end of March 1978 a total repayment of R354-million of "liabilities relating to the reserves" was made, according to the Reserve Bank.

Basically the big surplus on the current account of the balance of payments was being used to repay some of the previous huge official borrowings.

In the second quarter of this year, however, there was actually a R4-million increase in liabilities related to reserves.

The quarterly bulletin of the Reserve Bank explains, however, that the net reserves still improved.

"As during the preceding two quarters, the Government and banking sector made large net repayments of long-term foreign loans.

"Public corporations and local authorities on balance also repaid long-term foreign debt instead of being recipients of long-term capital as in the first quarter.

"The decline in the net outflow of long-term capital during the second quarter was, therefore, attributable to a net outflow during the preceding quarter."

PART I

2. INTRODUCTION & BACKGROUND INFORMATION TO PROJECTS SECTION

I have chosen to focus on one distinct Mhlaba 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 ...ow it works. When I first heard of and visited these ...s very impressed; projects are generally described by their organisers and donors generally only get to see or hear what ...want them to.

...donyms for people and places throughout. While I feel that ... loss of authenticity, I think it would be unfair on the main ... were I to use their names. I am trying to show what roles ... the structural situation and not to say that some are "good" ... I hope readers will realise, the intentions of these people ...rent from the results of their actions.

...ATION

...stand the agricultural and general layout of villages, one ...d to whom, land is allocated. The rehabilitation pro...ed Betterment schemes or locally "Trust", divides the land ... residential sites, blocks of fields and camps for grazing. ...nced off from each other. The intention behind this is ... in camps and so avoid destruction of crops and vegetables and to restore the veld by rotating the cattle in the different camps. 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)

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NN 11/10/78 (19)

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 $223,375 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

Star 11/10/78 (99)

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 241 000 ounces a week between January and July this year.

But in August and September it climbed to a weekly average of 490 000 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

Sun. Exp. 15/10/78

(79)

By PAUL DIAMOND

WITH the gold price sitting on its new exalted plateau, South Africa is expected to reap a golden harvest of R6 500-m 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 have 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 25-m ounces (a sixth of its gold holdings) of which 104 of the poorest nations in the world were entitled to 6,75-m ounces. And every month for three years 525 000 ounces of gold were auctioned to build up a huge "poor box" of $1 660-m.

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 US 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.

KDM 24/10/78

99

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.

Profit-taking was evident in the dollar's gains, amid trading described by one dealer as heavy throughout the morning but by another as fairly thin. Sterling gained against the dollar to a high around $2,0125, while high Eurodollar deposit rates caused the pound's forward discounts against the dollar to narrow considerably, dealers said.

But they added the pound remains generally weak against European currencies.

After breaching the $2 level last week and sustaining it despite consequent selling orders, the pound is now catching up on gains made by other European currencies against the dollar, the dealers said.

Dealers noted weekend press comment on the possibility of Britain not joining the proposed European monetary system and a report in the Guardian newspaper that the Prime Minister, Mr Callaghan, and the Chancellor of the Exchequer, Mr Healey, have decided against Britain joining the EMS.

British officials said, however, that no Cabinet decision on the matter had been taken.

They said it was known that a final decision on the EMS has yet to be made but the reports might have been a background factor in sterling's rise.

Some positions had been taken in the mark on the assumpton that UK membership of the EMS would be preceded by a sterling devaluation against the mark and the stronger European currencies.

The dollar fell to record depths against the yen on the eve of President Carter's announcement of his anti-inflation programme aimed at halting the US currency's dramatic slide.

On 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 $100-million in a vain effort to prop up dollar.

Its previous low against the yen was reached last August 15 when the dollar hit 181,80 yen.

When the London foreign exchange market — the world's largeqst — opened the dollar dropped below the 1,80 level against the German mark for the first time, falling to a record 1,7980 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 174,60 or $350,00 per troy ounce, at the morning fix.

This compared with 174 and $348,25 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 $349,25 in he afternoon.

Gold clutuated widely before closing 40c easier than 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 easiness in the morning attracted sellers of gold into an increasingly nervous market.

New York selling added to this, but the dollar's decline from its day's highs brought further firmness for gold before the close.

The average London 1500 gold fix for the year to date is $189,57.

The average for the fourth quarter to date is $224,67.

First quarter average is $178,33, second quarter average is $178,68 and third quarter average $202,42, reports Reuter.

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oser and G. Kalton, Survey Methods in Social Investigation
(Heinemann, 1971), p.83.

NM 26/10/78 (79)

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 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

"Simple addition indicates that there is already more gold committed to the market in 1979 than can be absorbed by fabrication alone. Non-speculative and investment purchases will therefore have to continue if the gold price is to be sustained.

"On a trade basis the dollar appears unvervalued. A dollar recovery resulting from improved sentiment and declining U.S. payments deficits, cannot be discounted.

"With speculative and investment stock accumulations of over 1 700 tons (some 11 billion dollars at current gold prices) since 1973, the scene would be set for a period of weakness in the gold price.

"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."

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

CAPE TIMES 25/10/78 879

recovery

By GORDON KLING

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.

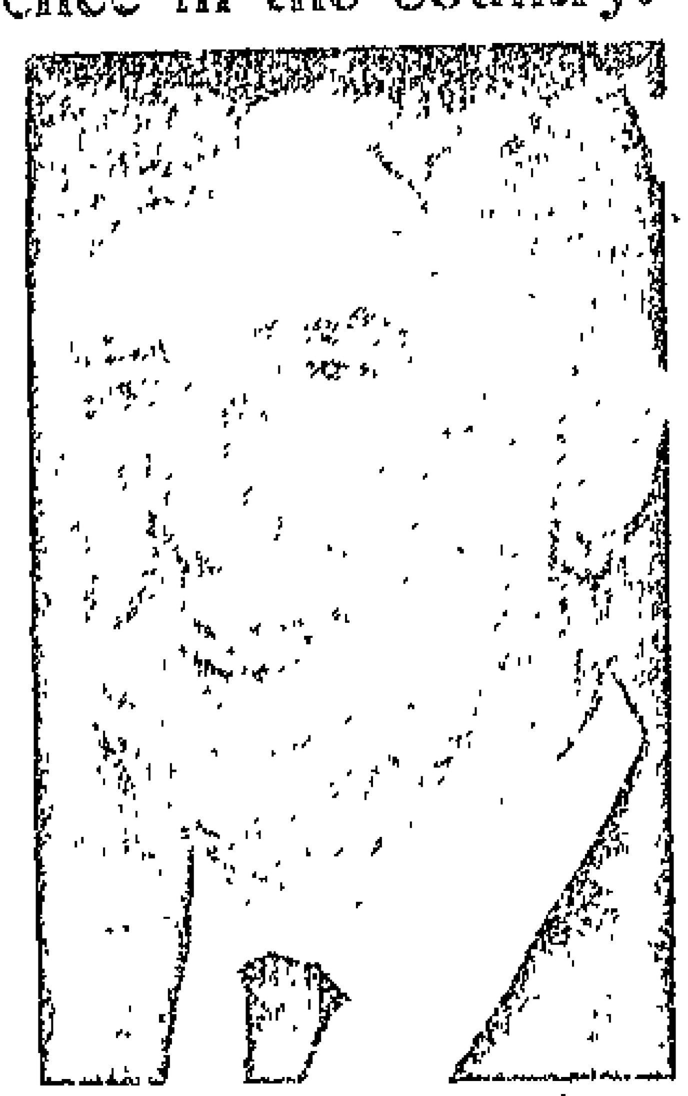
The Minister of Finance, Senator Owen Horwood, has disclosed in an exclusive interview with the Cape Times the extent of the improvement in the country's credit rating with banks in Europe and North America in the past few months.

And Department of Customs and Excise figures show a surprise September trade surplus of R134,4 million, compared with R45,9m in the previous month, from good exports and a substantial drop in imports.

The favourable balance for the year now stands at R611,8m compared with R278,0m 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 was infrastructural spending on projects like the country's two new harbours at Saldanha and Richards Bay were now paying dividends and the recovery would continue.

"I have all along had a so-

the new year."

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 bonanza. 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 R20m from every \$1 rise in the yellow metal bring-

Cont next page.

Sun. Tribune (79)

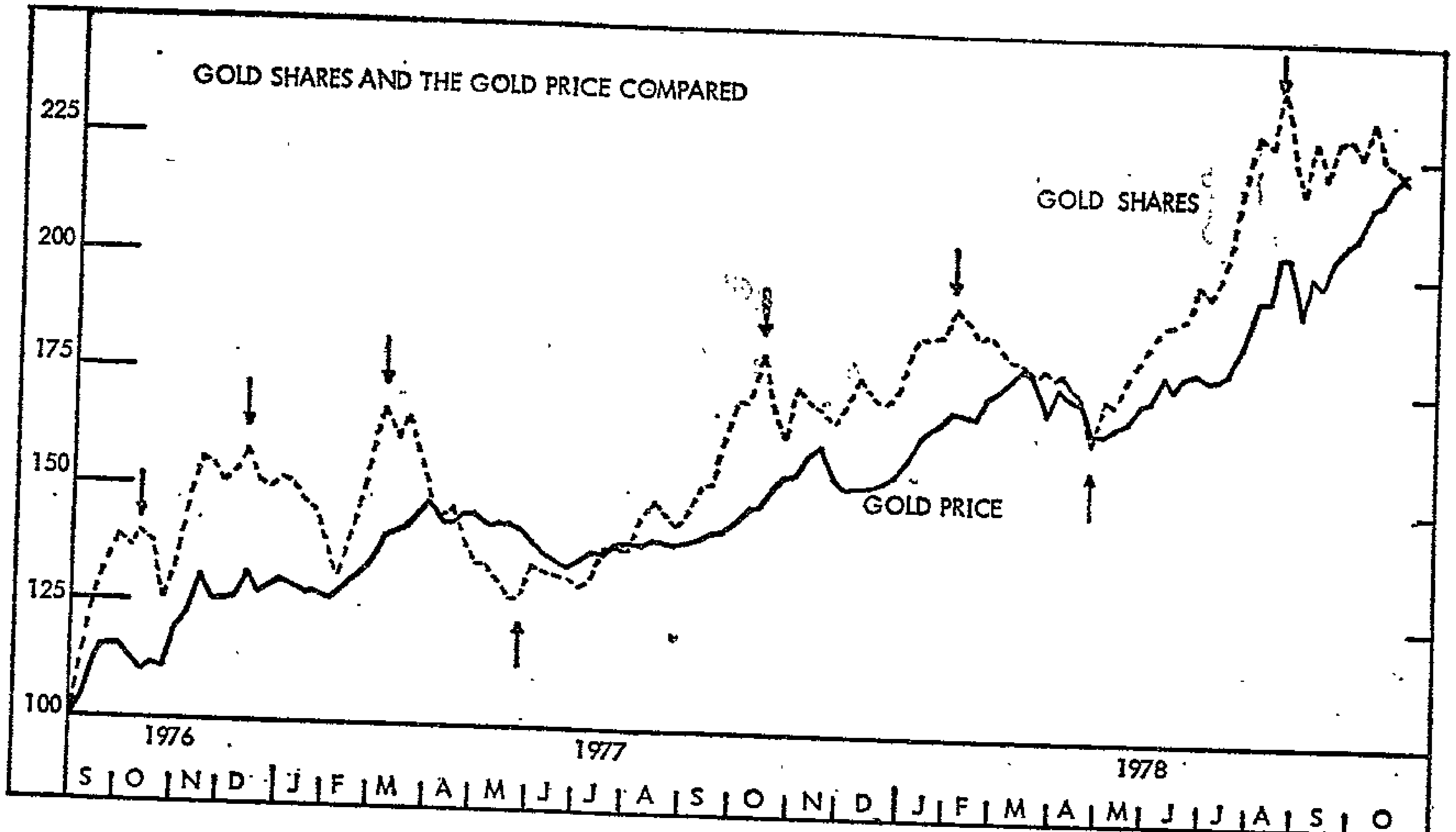
29/10/78

Low risk factor in gold shares

IF YOU TAKE an interest in the stock market then no doubt you are one of many who have asked the question: Why aren't gold shares going up when the gold price is trading at record levels?'

And the answer, plain and simple, is that gold shares rose too far ahead of the gold price in August and have been marking time while the price of bullion catches up.

At least, that's what the accompanying chart tells us.



To get a comparison of gold shares and the gold price, Ive put them both on to a base of 100 on August 25, 1976, when they recorded their bear market bottom. This way we can easily compare the performance of both. The solid line is the gold price and the broken line is the index of gold shares.

It's evident that whenever the gold price advances, the shares rise quickly ahead of the price in anticipation, and become "expensive" in relation to the price — I've marked these occasions with an arrow pointing down.

And, every time this happens the shares react by moving lower.

During April-July, 1977, and again in April, 1978, after being "expensive" a month or two earlier, the shares over-reacted, to the extent that they became "cheap" in relation to the gold price — I've marked these instances with arrows pointing up.

These two past instances, when gold shares were "cheap" presented investors with well rewarded entry points into the market.

Let's examine what happened in August. When the shares rose to the peak of 240.5, the gold price was standing at 204.0 on the "comparative chart." This means that the shares had run ahead of the price by almost 18 percent. The chart shows how this has since been adjusted. By the look of things, there has been an over-reaction on the part of gold shares and they're once more cheap in relation to gold bullion.

We can infer from this chart, provided the price of the metal continues to rise, that a purchase of gold shares now could be undertaken with the knowledge that the risk factor is as low as at any time during the past two years or so. And, if history is repeated, any such purchase would be well rewarded.

CHARTIST

SUNDAY TRIBUNE, OCTOBER 29, 1978

HOLLARD STREET

79

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 enticed upwards by any rise in the bullion price and chose to react 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 233 dollar mark, small-scale foreign interest reappeared. This gave gold shares the push they needed and the Tribune's gold index rose past 390 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 a day worth — and here is the real rise — well over R4 million a day on average.

Although all eyes were on the gold board this week, some interest was shown in industrials. These counters continued their stoic upward climb taking the Tribune's index from 682 to 690 points plus.

Shares were once again a firm spot, but Scotts 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 retain a generally positive view about the SA economy, but in line with their cautious approach, are backing the better class and established companies, rather than going for the second liners.

Excellent results from Argus (although the 5c 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 1 400c. CNA also produced a pleasing set of results and a 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 2,5 million shares are reported to be going well.

International metal prices again caught the headlines with platinum the star performer once again. London analysts however warned investors to watch for burnt fingers, so share price reaction was muted and the Tribune's metal index rose only three points to 1237 on the week.

Close	Golds	Metals	Indust	All Market	Volume 000's
October 27	399,6	1240,3	693,6	107,4	3497
October 26	392,4	1237,1	690,3	106,1	2238
October 25	378,8	1234,0	688,3	104,5	1482
October 24	371,6	1220,1	684,8	103,3	1496
October 23	385,6	1229,6	683,2	104,8	3856
October 20	386,5	1234,0	682,2	104,8	2142
Month Ago	384,7	1146,7	661,6	102,4	1707
Year Ago	317,2	1045,2	555,9	85,9	1346
YEAR'S HIGH	415,0 14/8	1249,8 17/10	690,3 26/10	107,4 27/10	385,6 23/10
YEAR'S LOW	279,0 20/4	843,3 20/3	503,0 14/3	77,3 21/3	713 10/4
Earnings Yield	16,3	14,2	16,5	16,1	—
Dividends Yield	7,5	6,3	7,0	7,1	—

Base: Golds, Metals and Industrials — 1960 = 100.
All Market: 1975 = 100.

79

2/11/78

RDM

Gold's record plunge

Financial Editor

GOLD tumbled over $15 to $227,50 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 $11,15 at the afternoon fixing.

President Carter announced in Washington the establishment of a $30 000-million swop 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 000oz starting next month.

Mr Blumenthal said that apart from the $30 000-million swop 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 and Japan and the Swiss National Bank, intervene in a foreceful 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

3/11/78

(79)

Mercury Correspondent

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 1 000 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.

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for African technicians in the light of the
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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 mythological 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 behavious. 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

79

R.D.M

4/11/78

LONDON. — Gold was fixed sharply down at $215,20 yesterday afternoon after a morning fix of $219,55 — 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 openiong 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 $5,20 lower and prices on the IMM were off $4,90 to $7,80 dlrs.

Platinum futures opened down the new $15 limit following two consecutive limit down sessions.

Near January traded and was further offered at $345,60.

In Hong Kong, the international gold price closed at $US221,20/70.

Gold opened higher and firmed to an early $220,90/$221,50 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 1,8890 marks without intervention by the Bundesbank.

The dollar was set at 1,8635 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 stood at 1,6120/70 to the dollar against the 1,6075/6100 opening and the guilder at 2,0300/50 against 2,0220/50.

THE AVERAGE London second fixing for the year to date is $191,29. The average for the fourth quarter to date is $226,87. The third-quarter average was $202,42; second quarter $178,68; first quarter $178,33.

Where does gold go now?

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? HOWARD PREECE, "Mail" Financial Editor, offers some answers to the main questions that affect everyone in SA:

QUESTION: GOLD was just below $170 an ounce at the beginning of this year. By the last week of October it had soared to $243,65. 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.

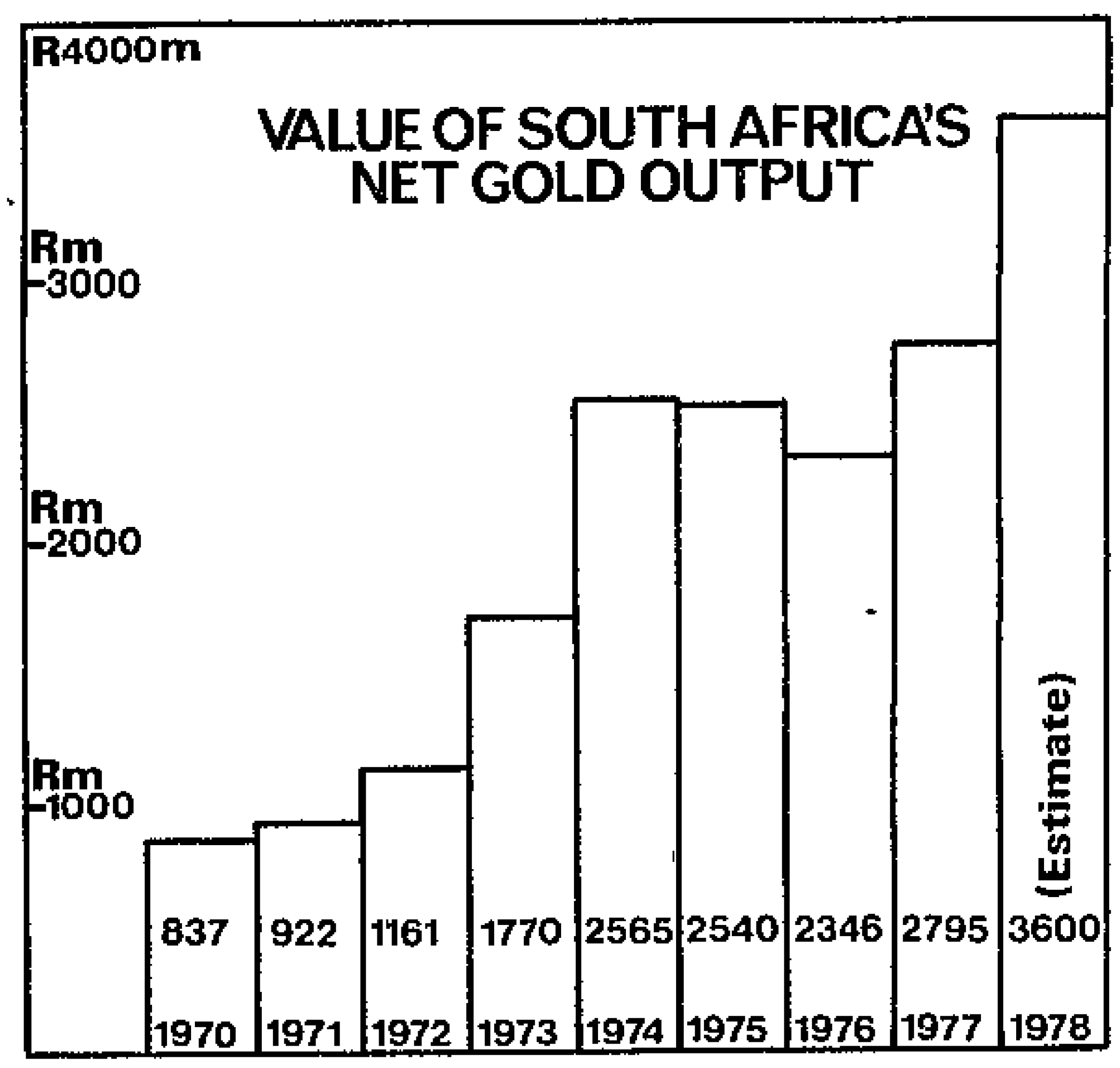
The dollar is seen by hundreds of millions of people throughout the world as a barometer of the stability of the whole Western world.

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 uniquely been stuck at a



that most investors and bullion dealers were anticipating some reaction.

President Carter's package at last got the dollar moving upwards again on foreign exchange markets.

The combination of events pushed gold into a downward spiral. It must be remembered, however, that

been possible without the gold boom.

Does that mean that the heavy tumble in the gold price this week will, if there is no turnaround, put the economic recovery in doubt.

No. There are reasons for questioning how long and

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 an annual rate of 9,5 % — 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.

(7) Free Meals Yes/No/ Don't know

(8) Any other benefits (specify) ....

....

Gold shares survive Bullion price slump

79

8/11/78

JOHANNESBURG — Although the gold price has slumped 32,60 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 way the cat 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 195 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, Hartebeesfontein, Blyvoor, Stilfontein and Buffelsfontein. — DDC.

f 4

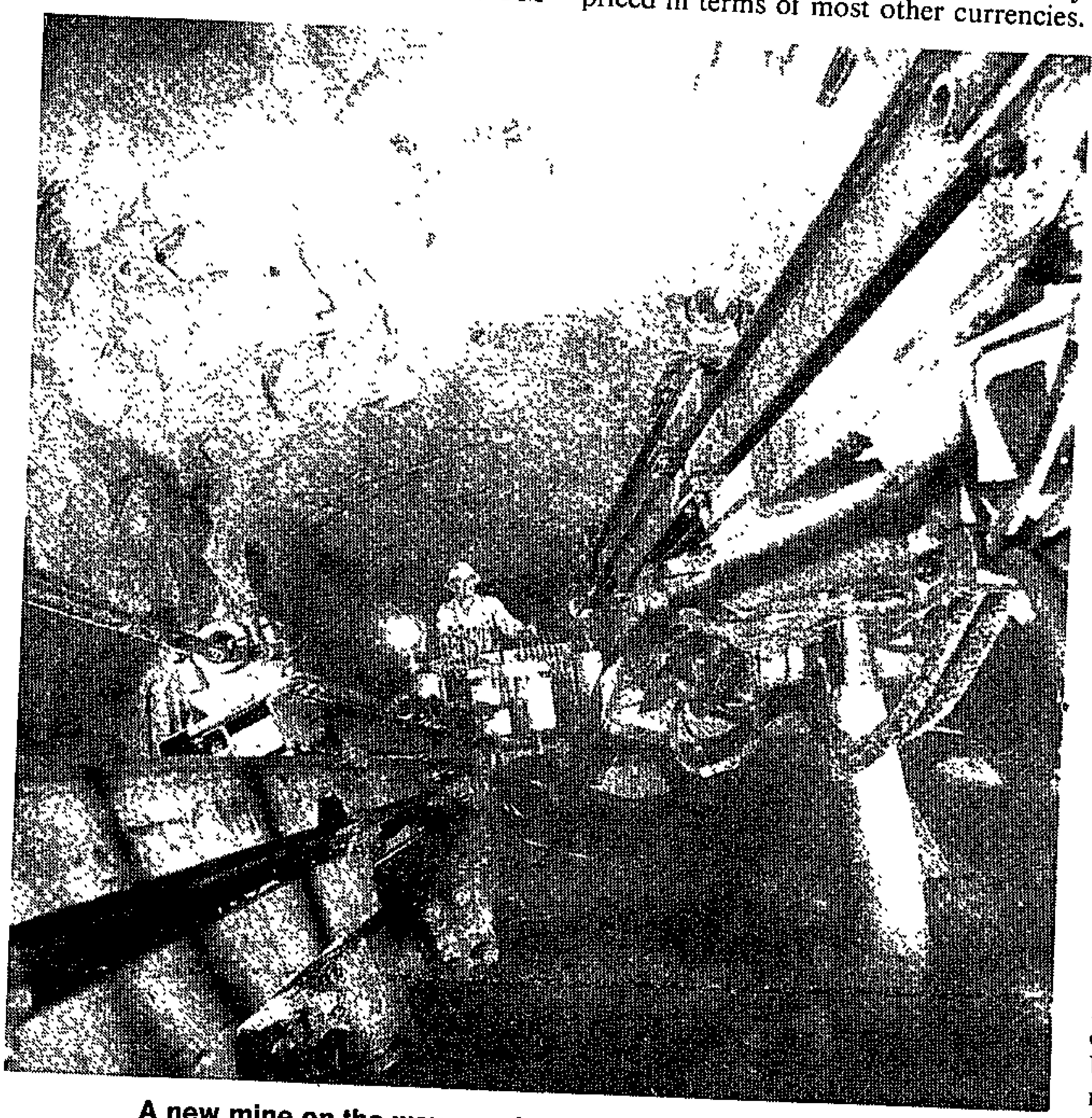
Gold and the dollar (79) FM 10|11|78

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:

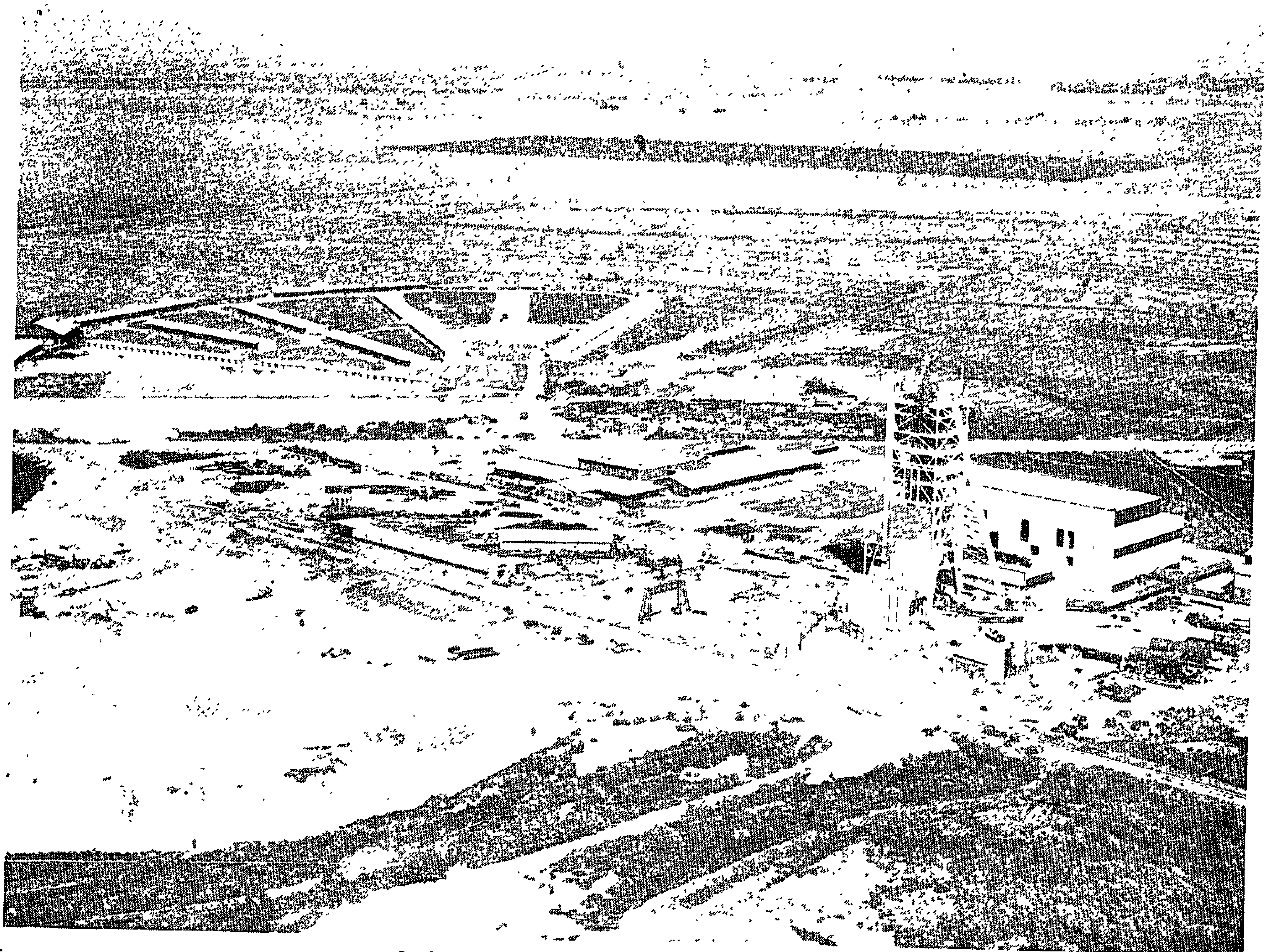
- The rise of the hard currencies, principally the yen, Swiss franc and D-mark, was so much steeper than anyone had foreseen that in the early days of these developments even experts were confused over how to interpret them. In Zurich last December, Swiss bankers told the *FM* that the dollar, then equal 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.



A new mine on the way . . . development work at Elandsrand

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 1 063 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 outside 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 totals." 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 rises feeding on rises until the music stops.
- To some extent, gold demand in the US has ceased to have any investment rationale, but has become a flight out of the dollar inflation or, in the gold bug's view, eventual collapse of the dollar as a



And another . . . Unicorp's Unisel in the OFS

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" disgorging 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 communique 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.

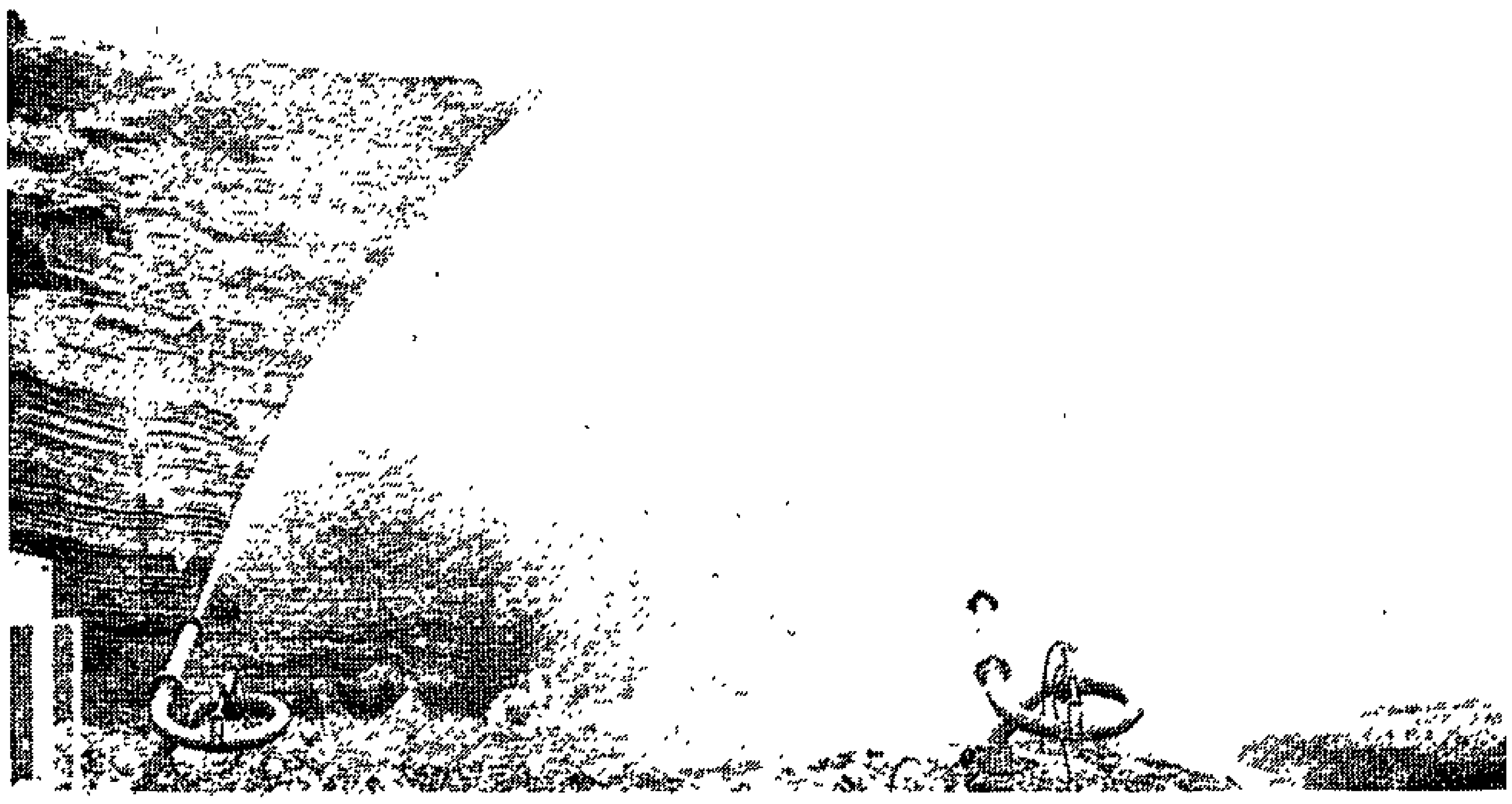
At current prices, savings of this order would reduce the US oil import bill from $45 billion to about $32 billion. This is some way short of the US trade deficit of $26,5 billion last year, likely to be exceeded in 1978, though it is a much higher proportion of the current account deficit (1977: $17,5 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 $5,70 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.



Treating the dumps at Ergo . . . after the last oz

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.

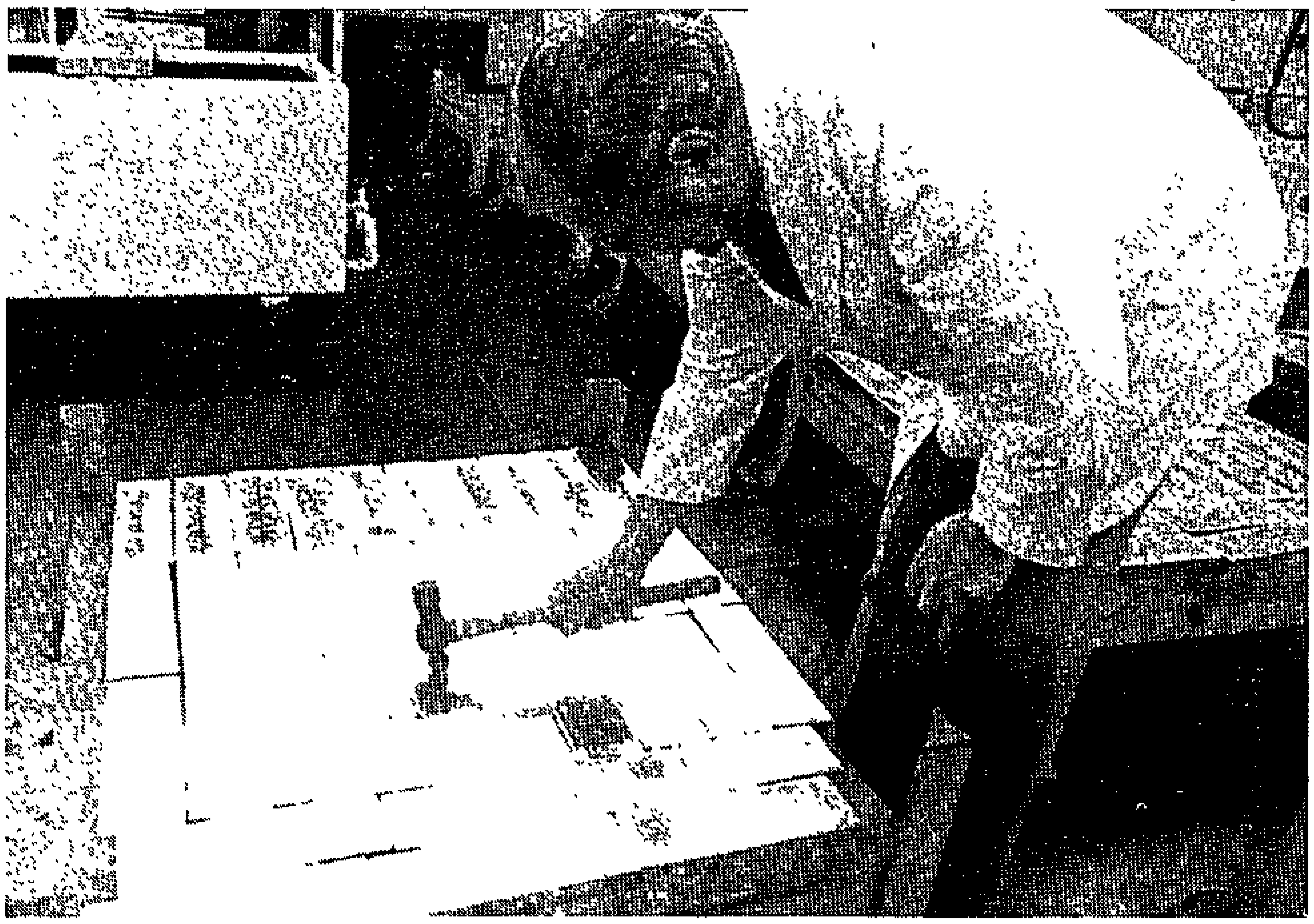
The original schedule called for six-weekly auctions of 780 000 oz, but in January 1977, following representations from the bullion market, the rate was cut back to 525 000 oz monthly. In June 1978, the amount was reduced further to 470 000 oz and the difference of 55 000 oz was reserved for the poorest 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-



tinue 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.

President Brand . . . mining the yellow metal

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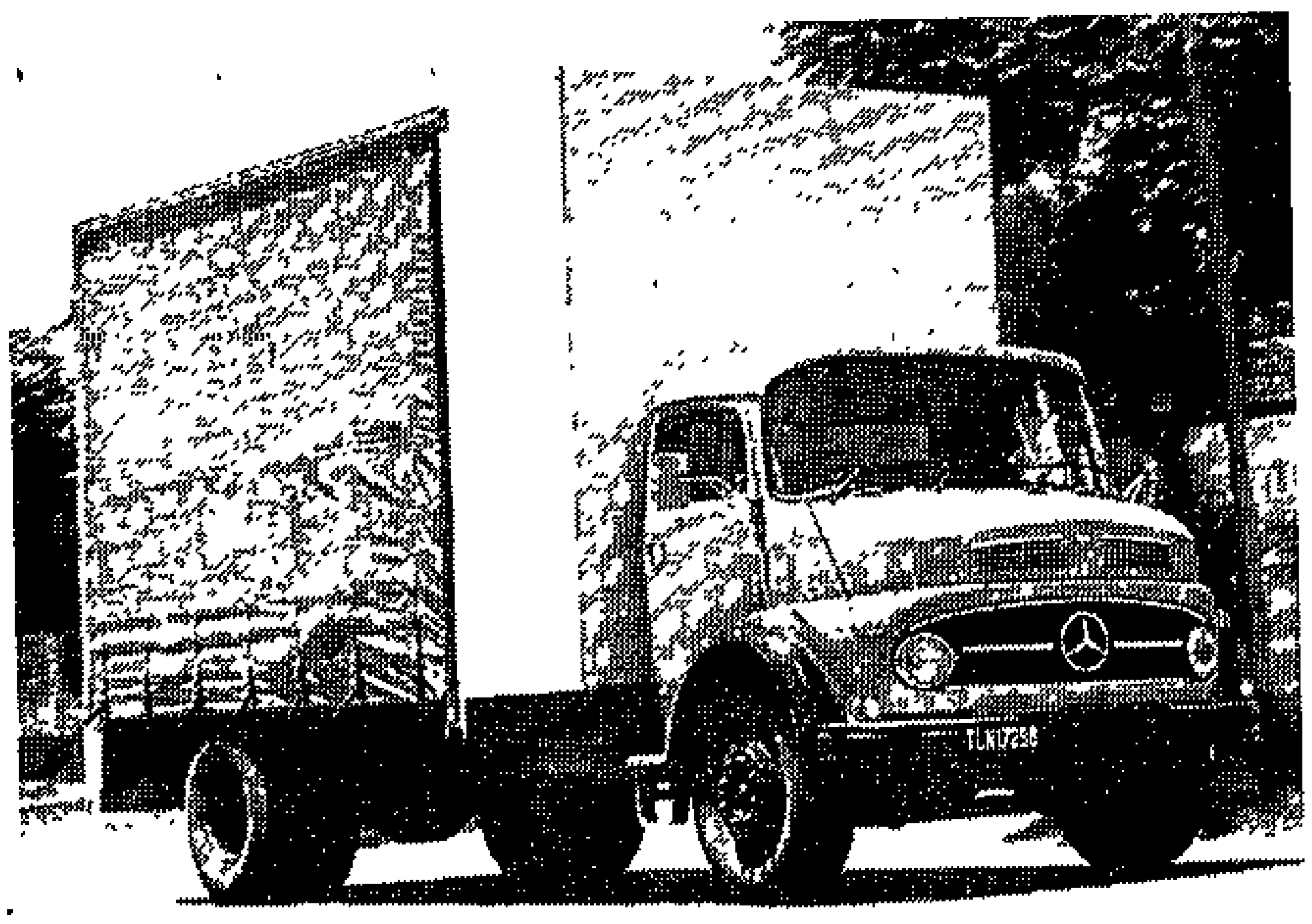

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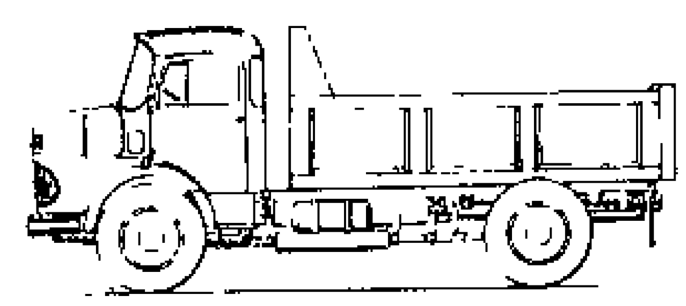
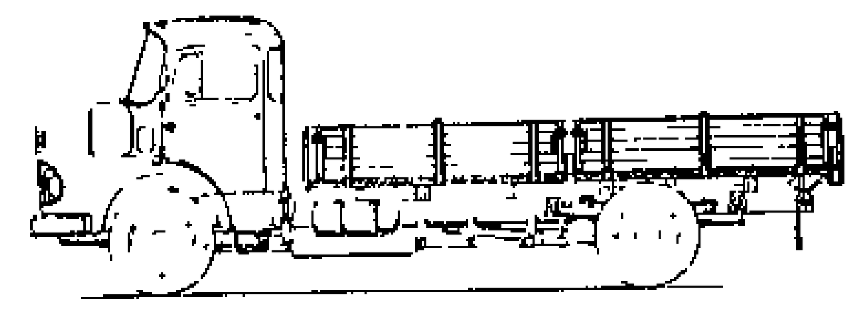
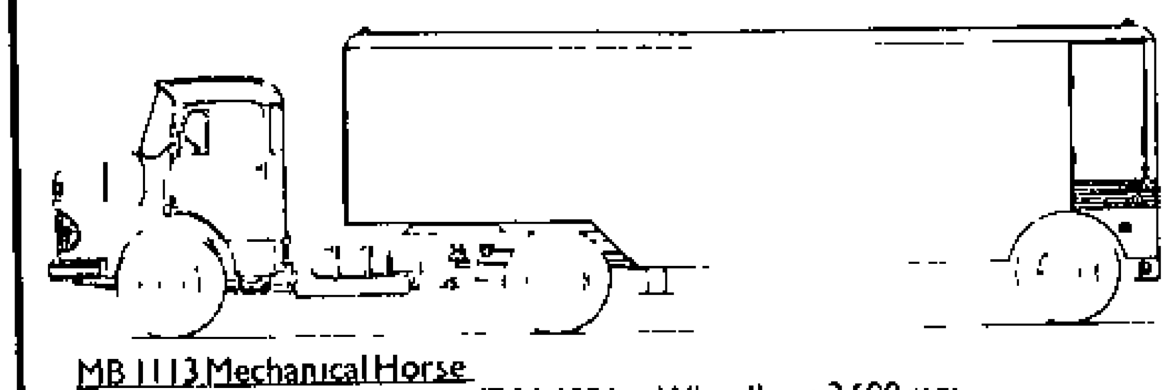


MB 1113 Tipper
GVM/V 11 000 kg, GCM/D/T 21 600 kg
Wheelbase 3 600 mm



MB 1113 Freight Carrier
GVM/V 11 000 kg, GCM/D/T 21 600 kg
Wheelbase versions 4 200 mm and 4 830 mm



MB 1113 Mechanical Horse
GVM/V 11 000 kg, GCM/D/T 21 600 kg Wheelbase 3 600 mm

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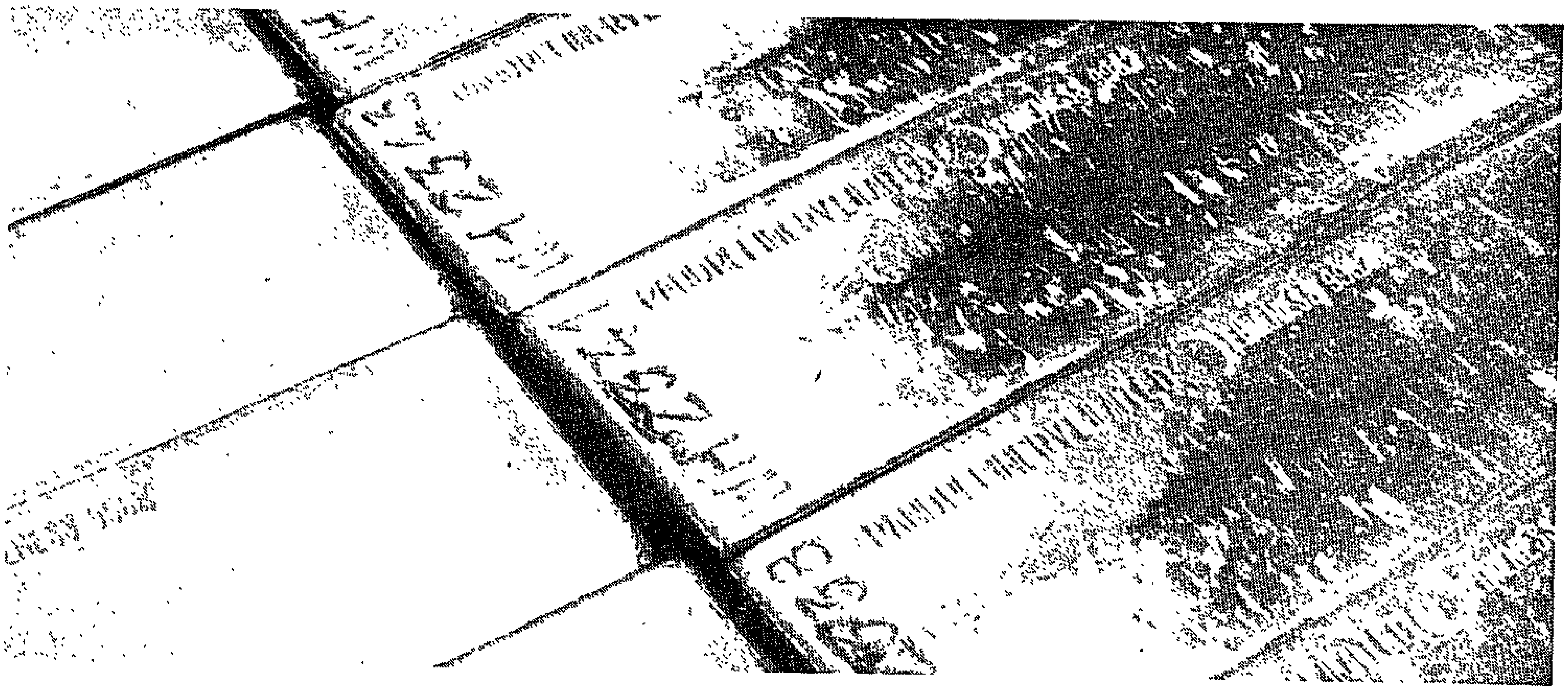
But even if the US reduces its trade deficit, inflation may prove to have taken too deep a hold to be rooted out in a hurry and 1979 could see historically high rates of inflation continuing. In this event demand for gold in the US could rise dramatically.

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

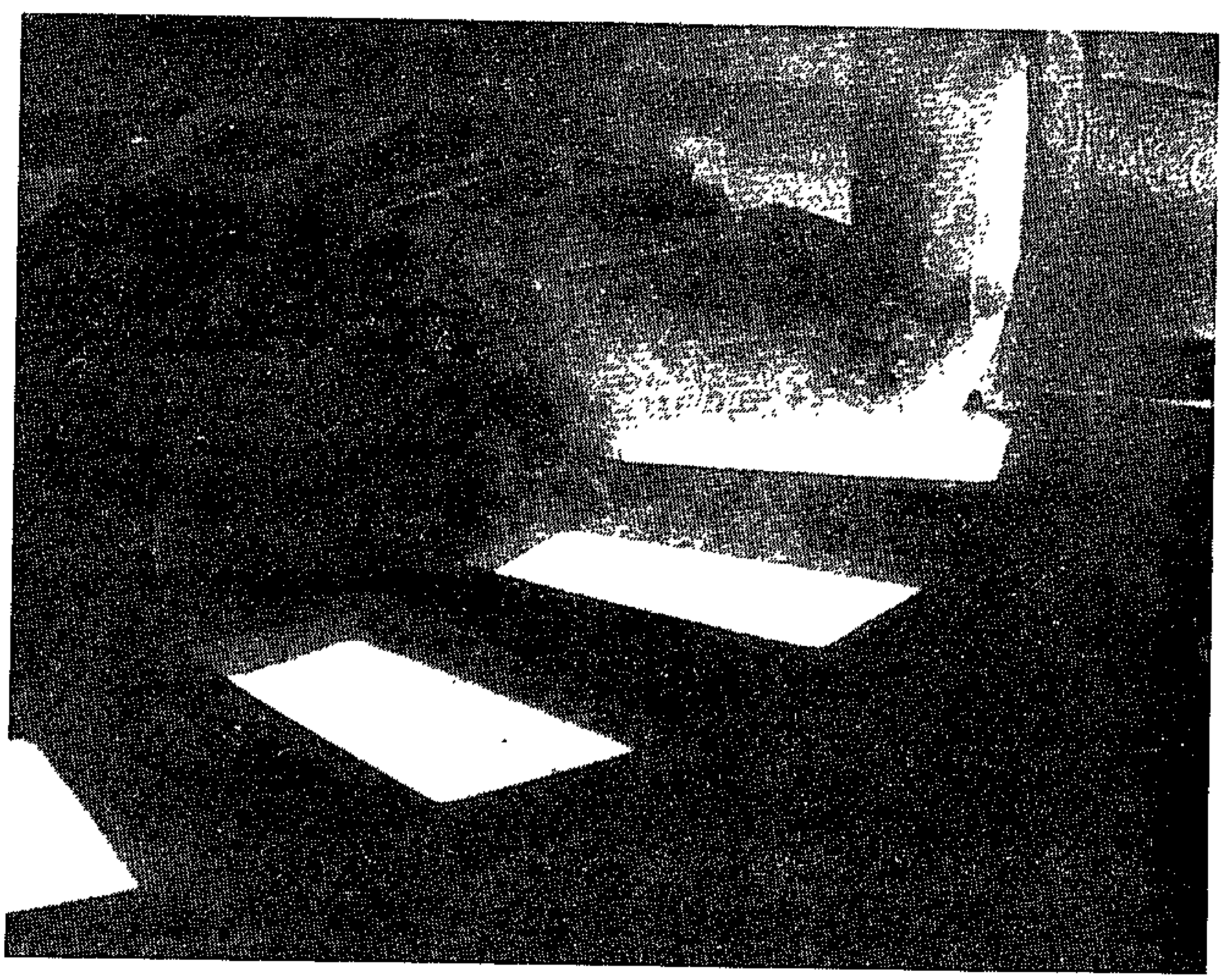
The Rand Refinery at Germiston treats all SA's mined bullion to achieve near perfect purity

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 jewellery 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.

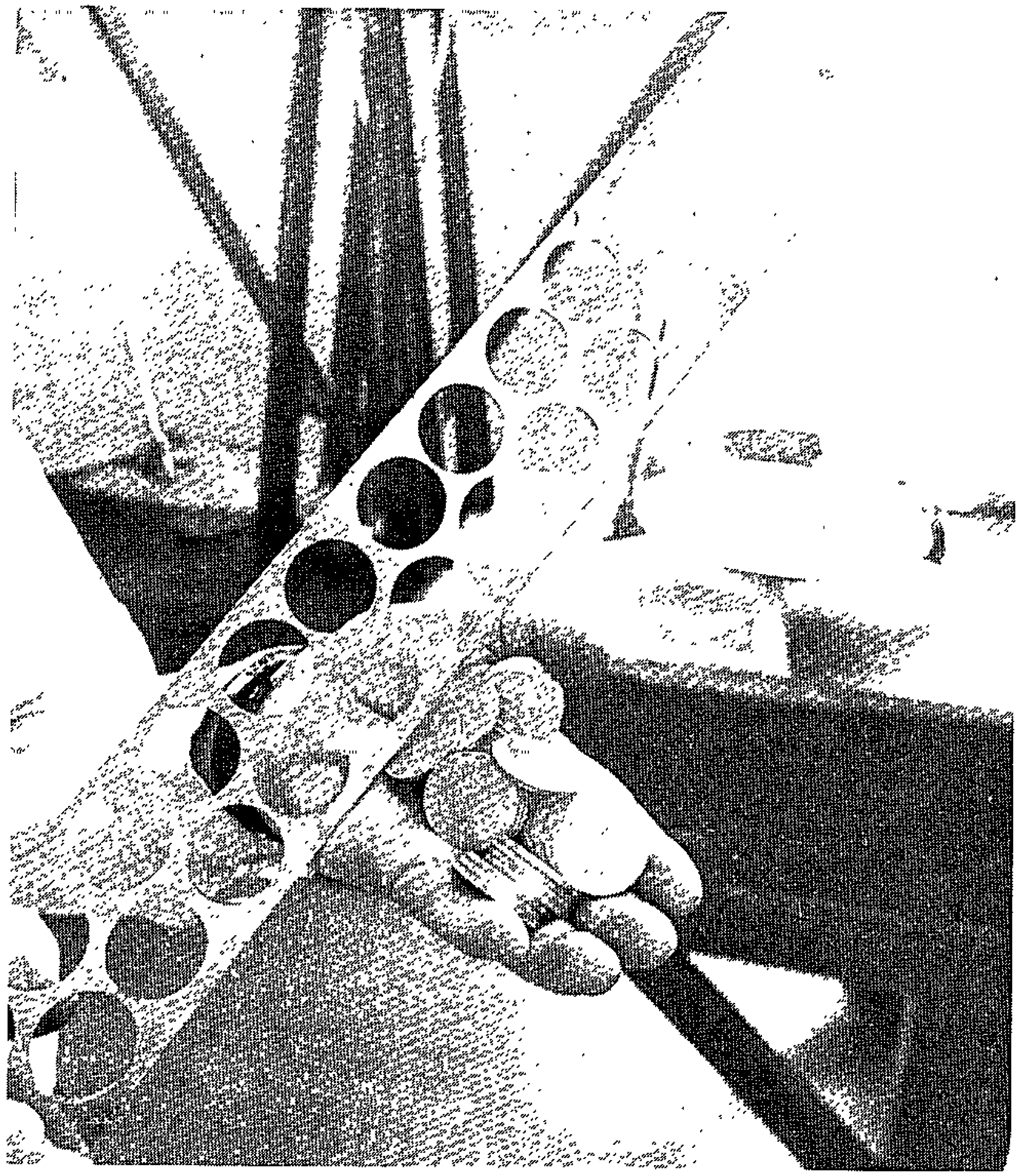
The refining process involves smelting down the gold yet again and passing chlorine through it. The chlorine reacts with the silver and other metals to form silver chloride and other chlorides. These float to the top of the gold, where they can be skimmed off for further treatment.

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

gold), while in South America women tend to favour red golds. It is apparently extremely difficult — for obvious reasons — to sell gold jewellery of any sort to Japanese women.

The reason, incidentally, why the Mint and not the Rand Refinery does the final striking of Krugerrands, is because the coin is legal tender in SA and so falls directly in the Mint's province.

The Rand Refinery's gold production is not allowed to hang around. Typically, it's a case of in one day and out the next or at least the day after that. Each day the refinery advises the Reserve Bank that it has, say, 100 000 oz available for sale, and the Reserve Bank is then responsible for its collection. The price paid to the mines is the average of the morning and afternoon fixings on the London market for that day.

The Reserve Bank does sell a little industrial gold — through the Mint — to SA jewellery manufacturers like Johnson Matthey.

The Rand Refinery also treats waste material from the mines (timber packing, for example) and, in fact, virtually anything that might have been exposed to gold dust, to extract the maximum possible quantity of the metal. Indeed, there can be few other places in the world where even the sweepings bin carries a padlock, as at the Rand Refinery.

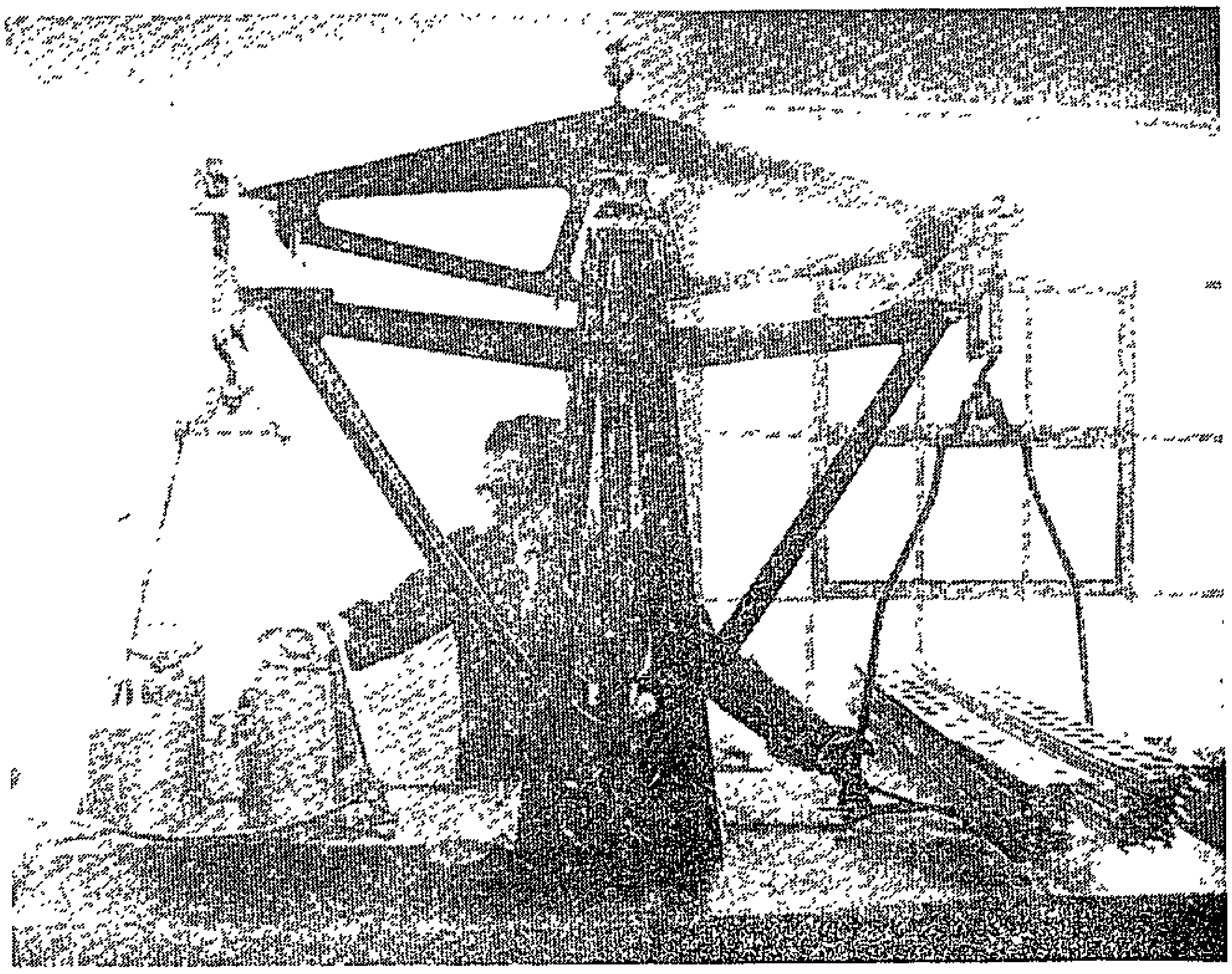
The refinery not only processes gold from Chamber-member mines, but also that from one or two others — chiefly the Eastern Transvaal Consolidated mines near Barberton.

Total cost of refining gold is only 7c/oz.

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 (1 100 oz-1 200 oz) bars of 99,9% purity are cast each day. Each of these is now worth around R4 000.

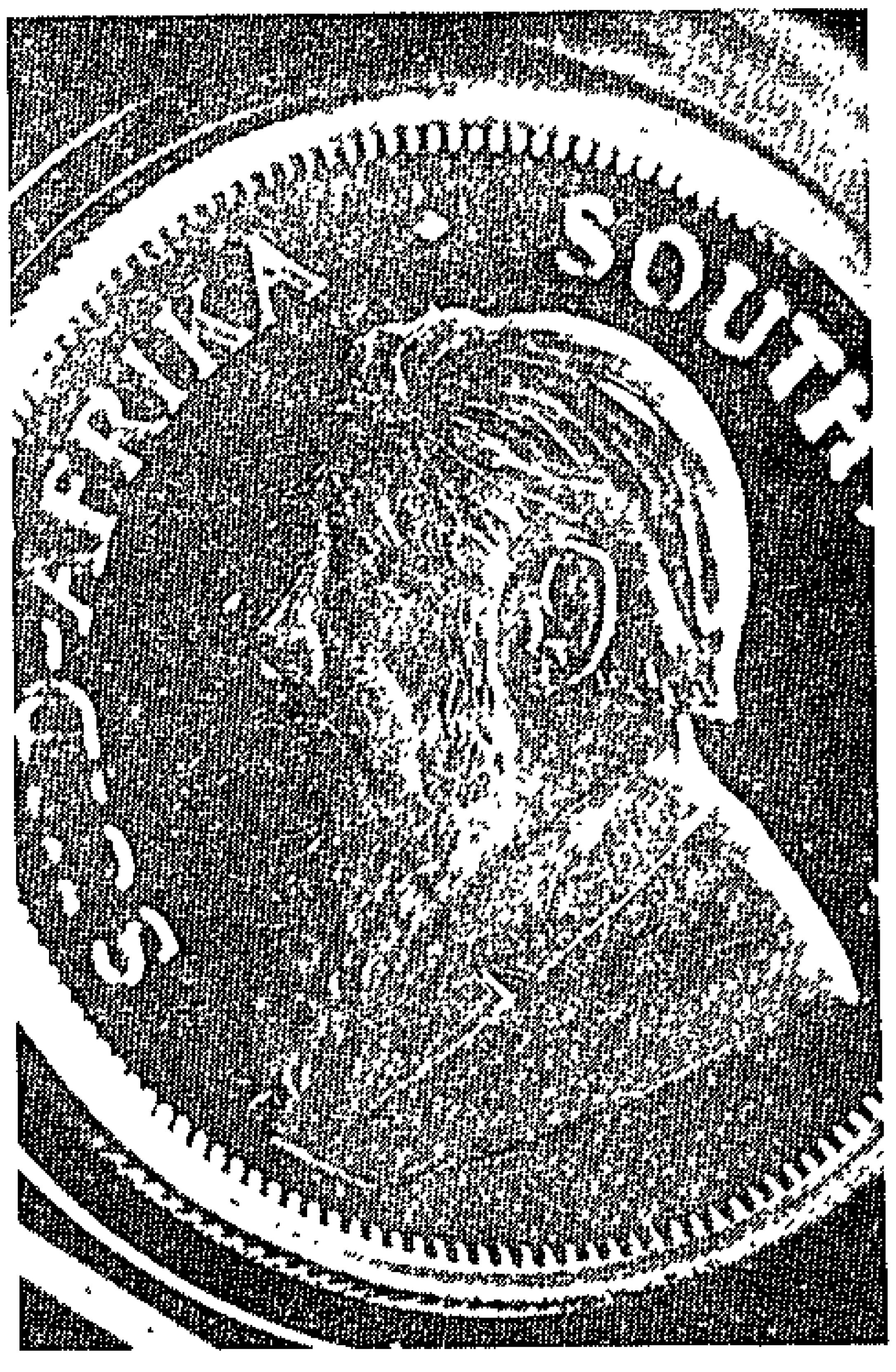
Some silver is sold to the Mint — though the Mint no longer strikes silver coins — and is later disposed off to the jewellery trade, while the balance is sold by the Chamber direct on the London Metal Exchange (LME). Some silver is actually used in the explosives business for making detonators. About 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.



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.

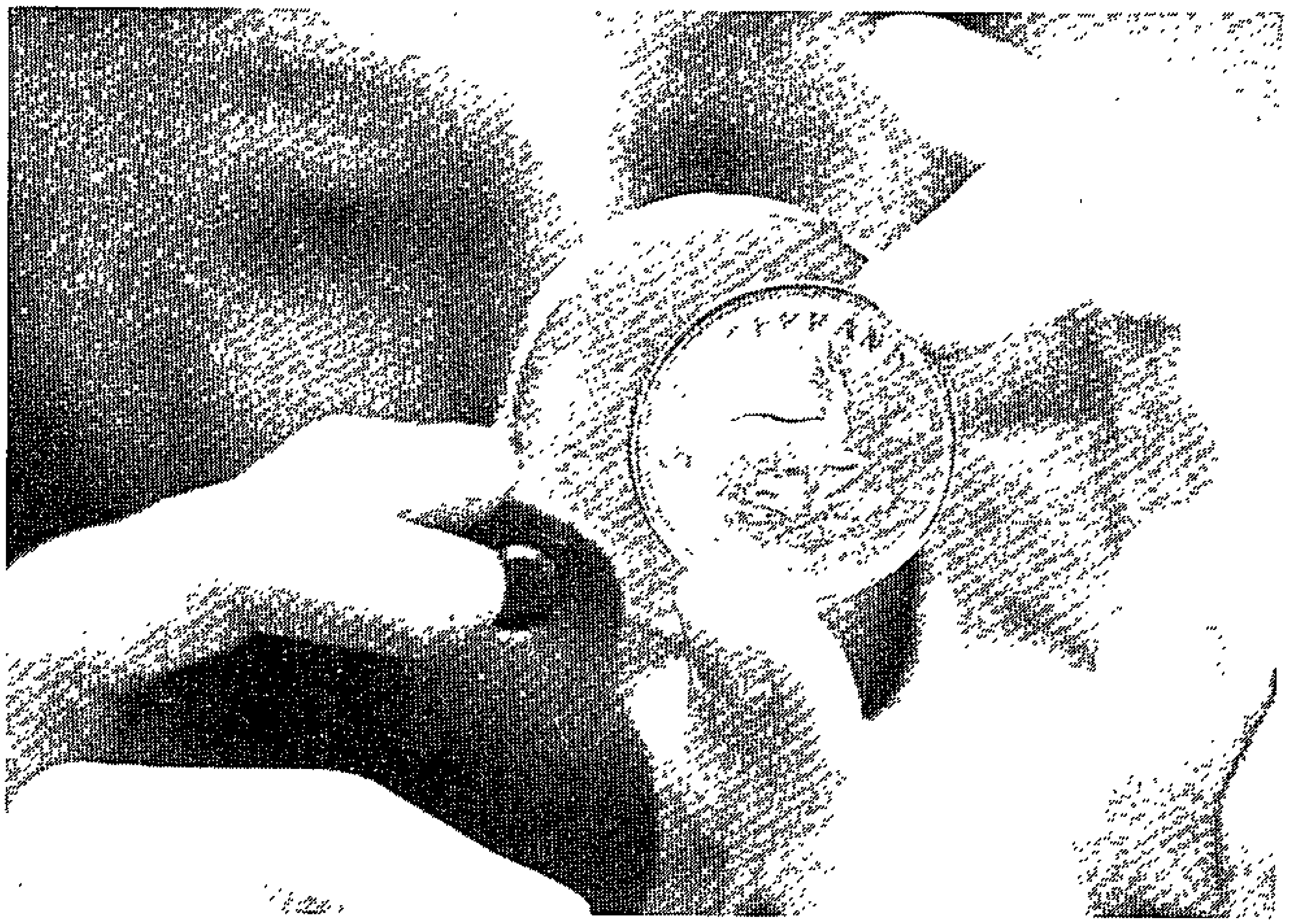
In 1977, Krugerrands accounted for 65% of all gold used for official coins, but 3,6m Krugers were sold last year and in the current year they could reach as much as 80% of gold used for coinage worldwide. With the US market absorbing probably over half the 1978 Krugerrand output, the Canadian government has put a bill before Parliament to enable the Canadian mint to produce a 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, 1m 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-Kruger, 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

GOLD

Down but not out

79 FM 10|11|78

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 turn reflects no more than initial positive reaction to the latest Carter package.

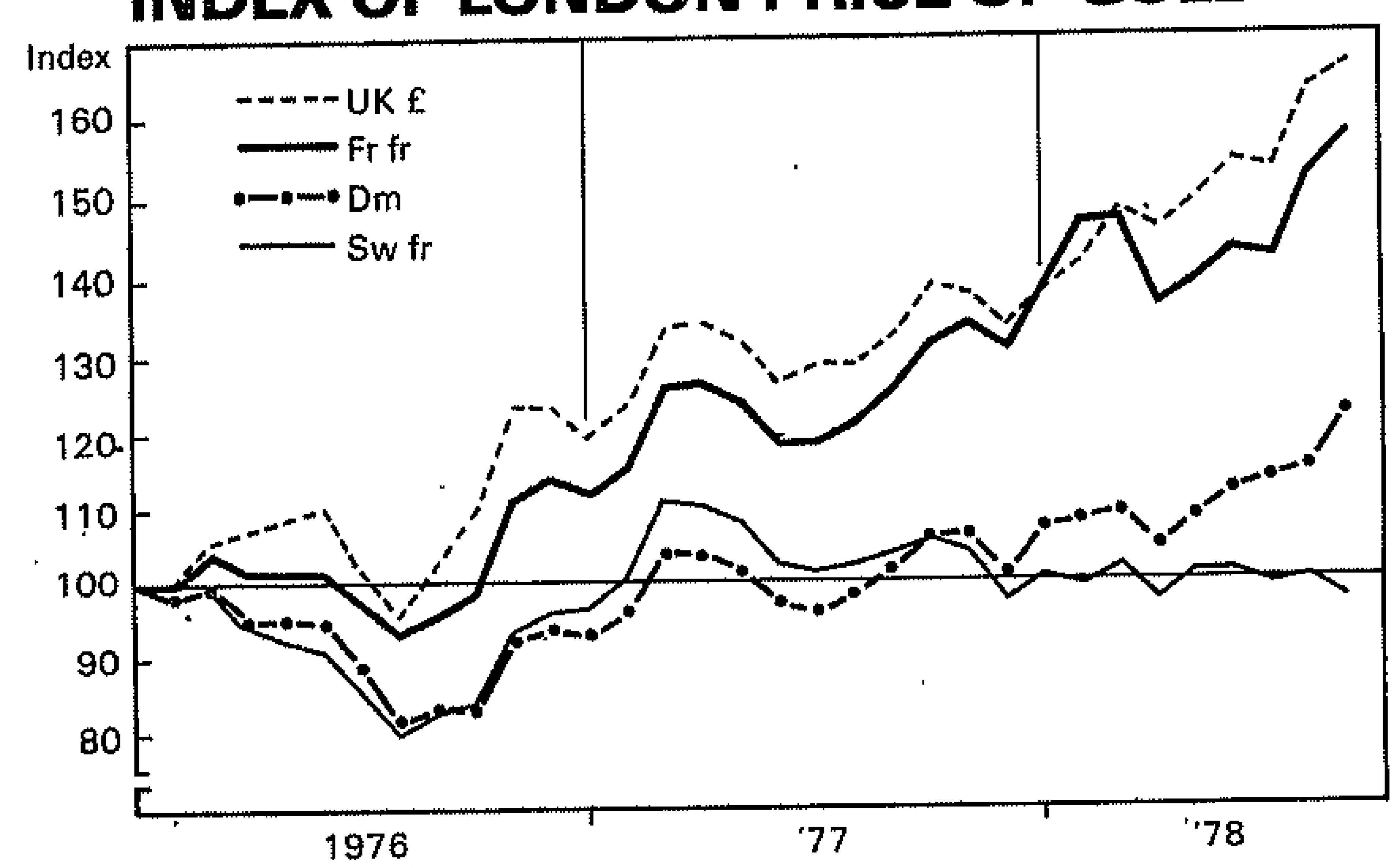
It would have been disastrous to the US had there not been a sharp recovery in the exchange value of the dollar, and hence a contrary decline in the dollar gold price. But by this week the gold price had already shown signs of picking up off the bottom. Is this just a technical correction? Or will the 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%.

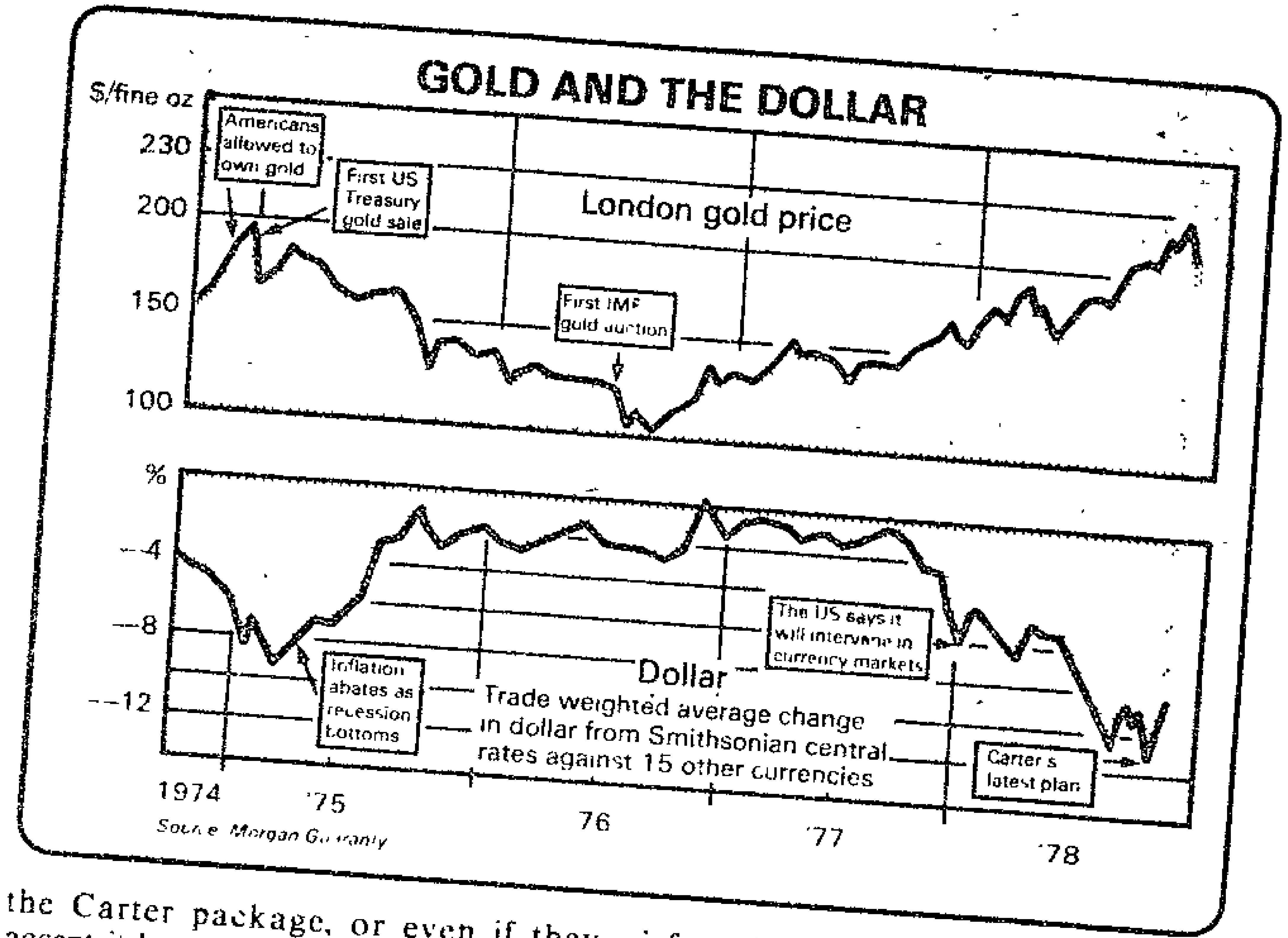
At an average price of (say) $200, this would be "worth" $4-billion. Far from chickenfeed: but equally, far from this year's likely US balance of trade deficit of up to $30-billion, or overall current account deficit of $20-billion.

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

INDEX OF LONDON PRICE OF GOLD IN:



Source: Chamber of Mines



Source Morgan Guaranty

the Carter package, or even if they accept it but want to diversify into other assets, a flood of buying could develop that would absorb all available supplies without batting an eyelid. For, other than dollars, there are few potential suitable assets apart from gold.

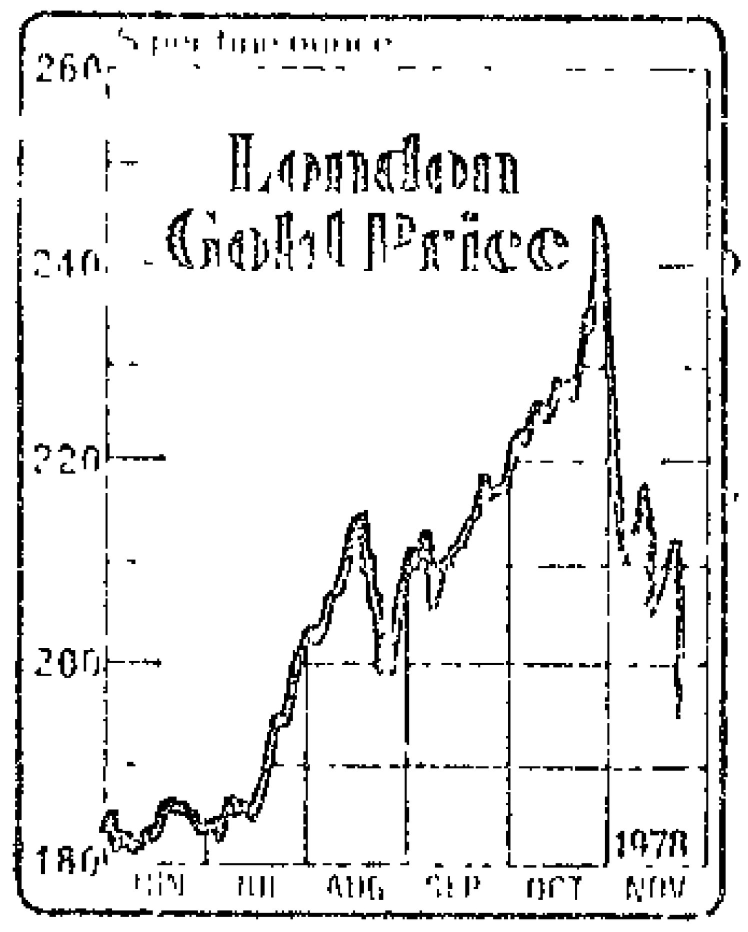
Moreover, gold buying by Group of 10 central banks has been inhibited by the informal agreement limiting their overall gold holdings. Rumour has it that, if the US becomes a major gold seller, others could take the opportunity to top up their gold holdings.

And, as the largest single gold holder (although it would be outstripped by the holdings of the Common Market if an effective European Monetary System could be put together), the US has a considerable vested interest in not letting the gold price fall too far. US spokesmen invariably stress that, even if they want to see gold demonetised, they have no desire to see the bottom fall out of the gold market. If US Treasury sales thus do seem likely to have this effect, the odds are that they will be pruned.

For SA, the implications of the latest fall in gold price are far from disastrous. As the *FM* wrote three weeks ago (when the gold price was $228), Horwood's budgetary calculations were probably based on an average gold price of about $160. Of course, $240-plus would be nice; but anything over $200 is still a bonus above original expectations. And Wednesday afternoon's fix of $218,80 was still comfortably above the average of $191,62 for the year to date, while the dollar was showing signs of not holding its gains.

This does not mean that the Carter package has — like its predecessors — failed. But equally, it does suggest that even if we may not see the recent peak again in a hurry, there is no reason yet to fear a major slump in the gold market.

Euphoria would clearly be out of place. But taking a dispassionate view, the latest correction could be healthy in keeping the market from getting out of hand.



Gold slumps on US sale fears

LONDON. — The gold price fell below $200 for the first time since August 29 yesterday. It was fixed in London at $196,30 in the afternoon and at $197,10 in the morning. Wednesday's second fixing was $201,15.

The main factor behind the slump appears to be continued concern about the impact of higher United States Treasury gold sales, although dollar firmness may have contributed to the further downward movement yesterday afternoon.

In post-fixing trading yesterday afternoon, gold was quoted at $195/$196,75. It then firmed in line with New York to around $197,50/$198,50.

But United States gold futures plummeted at the open to their lowest prices since July. Dealers said liquidation selling was set off by the sharp drop in spot metal prices and a firmer dollar at leading centres.

On the Comex futures prices opened $2,50 to $7 lower and prices on the International Monetary Market were off $2 to $2,80.

THE AVERAGE London second fixing for the year to date is $192,01. The average for the fourth quarter to date is $222,25. Third quarter average $202,42; second quarter $178,63; first quarter $173,23.

Gold closed sharply down in Zurich at $196/$197, its lowest finish since July 27.

At one stage it fell to $195,50/$196,50 compared with the opening $201,50/$202,25 and Wednesday's close of $201/$204,75.

Dealers said that there were no new factors behind the fall which simply extended the speculative selling of the past few days.

Bearish sentiment for gold was once again kindled by the strength of the dollar on foreign exchange markets and the increased US sales overhanging the market.

However, Zurich trading was nervous at the lower levels and with the price now $50 below the record highs at the end of October the future trend has become increasingly uncertain.

In very active trading in London yesterday morning, gold resumed the decline which took it below $200 in New York overnight, dropping sharply in the fixing session itself. The session began around $200 and fell rapidly to a low of $196,25 dlrs before recovering slightly.

Large volumes were traded.

In Tokyo, the dollar hit its highest against the yen since mid-September.

After climbing as high as 192,40 yen at one point, it closed at 191,75 — up from 190,05 on Wednesday.

Dealers said dollar buying by importers and foreign banks pushed it up, but it dropped later on selling by exporters, joined by several banks from oil producing countries buying yen for dollars.

Dealers continued to predict stability for the dollar in the short term. In recent days, said one dealer, dollar selling had been discouraged 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 October dropped to $400-million from $1 [illegible] million in September. But dealers said they did not expect this to help the dollar much because the lower surplus resulted from $1 200-million of emergency imports of enriched uranium and oil, and the figures did not signify a trend.

In London the dollar firmed from opening levels against most major currencies, particularly the Swiss franc and the yen.

Against the mark, it was at 1,9[illegible]5/35. It had opened at 1,9220/30 and firmed to around 1,9[illegible] but eased ahead of the Frankfurt fixing.

Against the Swiss franc, the dollar rose to 1,6550/80 from an opening 1,6[illegible] in a very thin market. Against the yen it moved up to 192,[illegible] from a 19[illegible] opening.

The firmer tone reflected small buying interest in a thin market, with possible Swiss National Bank intervention on the mark/Swiss franc cross rate to weaken it further against the mark.

Sterling was unchanged on its effective index at 62,6 at noon compared with its opening and Wednesday night's close. It eased marginally against the dollar to $1,9565/10 from an opening $1,9621/[illegible], but was steady to firm against the Continental currencies.

Gold rises despite firm dollar

RAM 18/11/78 (79)

LONDON. — The gold price steadied after the second fixing of $197,95 in London yesterday afternoon. It was quoted at $199,20/$199,70 on short covering in New York after a fairly quiet second fixing. The morning fixing was $198,30 and Thursday's second fixing was $196,30.

Dealers noted that gold's late gains were in spite of the dollar's firmness on foreign exchange markets.

In the morning there was fairly active trading. Gold opened at $198,75/$199,50 — near late Hong Kong levels, but dropped away in early business as the dollar firmed.

However, it firmed during and after the firsty fix to be quoted at $198,50/$198,90, and this continued until it fell away at the second fix.

The Paris afternoon fix was $198,93 ($199,83).

Gold futures opened lower on the New York Comex and the International Monetary Market, with dealers noting selling in the face of higher spot prices.

They cited a stronger dollar in London trading and evening up ahead of the weekend for the pressure on gold.

Prices on the Comex were off 20c to $1,40 and prices on the IMM opened unchanged to $1,40 lower.

The Hong Kong international gold price closed at $199,10/60.

Trading was moderately active, with dealing restricted to Hong Kong short covering.

The strengthening dollar briefly touched 193,70 yen in Tokyo yesterday — its highest in nearly three months.

But it closed at 192,90 yen compared with the opening rate of 193 and 191,40 at the end of trading on Thursday.

Dealers said the dollar's firmness reflected an announcement On Thursday that Japan's visible trade surplus was more than halved in October compared with the previous month.

The dollar fell in Tokyo late last month to a post-war low of 175,50 yen, but it has been gaining strength since President Carter announced fresh measures to bolster it.

In London, the dollar firmed in late morning trading, particularly against the Swiss franc which was quoted at 1,6920/70 to the dollar at midday compared with an opening 1,6775/90 and an overnight 1,6855/85.

The franc later fell to 1,7050/7125.

Dealers were not certain why the franc had weakened so sharply, but noted that Zurich dealers said the pressure came from commercial selling, apparently without reinforcement from the central bank.

Trading was generally quiet ahead of the weekend.

Sterling was quoted at $1,9520/25 compared with an opening $1,9540/45.

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the estate was beautifully illuminated. However, since then we have been disappointed that the situation has gradually deteriorated in some areas. The contractor gave us an excellent guarantee of his work for one year including replacement of the globes which failed during that time, but unfortunately we are having no success in getting him to honour his obligation. Sadly this means that parts of the estate are again very poorly lit. The globes are extremely expensive, and our budget do- not allow us to replace the globes (which should last up to 2 years) every few weeks. We are doing our best against the contractor, but it is pr- ing very difficult. We are also looking into the possibilities of getting a maintenance contract for the lights from another contractor.

8. PAINTING THE OUTSIDE OF THE HOUSES

This seems to be progressing very satisfactorily, weather permittin-, wi- average of 3 - 4 houses per month as an onward going project. If residen- are dissatisfied with the work in any way when their houses are painted, could they report this to Mr. D.S. Roberts (Tel. Office: 432036), a- Mr. has kindly organised the work. The painting of the red chimneys is not in the current contract, but this will begin as soon as the correct pain- obtained. In the meantime it has unfortunately not proved pratical to r- splashes of white paint from the chimneys and residents are asked to bea- this situation.

9. [illegible]

Should the need arise, our nearest Fir- are:-

Ottery Fire Station, Wetton Road (near- Hout Bay Fire Station - Tel. 706130/7-

10. [illegible] BOOK CLUB

Are you interested in reading? Do y- informal chat? If so, kindly contac- further information:-

Jenny Herbert - Hse. No. 90 (Hamlet
Kay Barrett - Hse No. 83 (Hamlet 1)
Hazel Foom - Hse No. 44 (Hamlet 4) Tel. 721728

11. AMENITIES NEARBY

Sports Club - (Membership necessary) - Constantia Sports Complex (near Alphen) - Tennis, Bowls etc.

Walking Permits - Tokai Forest (above Manor) - available from Mr. Bird, Forestry Dept., Tokai Road., or P.O. Box 88, Retreat. Tel. 721331

Library - (small, free, locally situated) - Lismore Avenue Library - off Tokai Road. (larger, but membership fee necessary) - Meadowridge - Tel. 728900

12. IDEAS

Anyone who has any ideas about the improvement of the estate (must be cheap!), the solution of the problems we have discussed in this news letter, or the promotion of good neighbourliness is asked, nay begged, to contract the Directors with his scheme.

If you have managed to get through all this, you have definitely got staying-power. Many thanks for your attention.

Mary Greenhalgh
CHAIRMAN

Gold shares far behind the gold price

79

RAM 20/11/78

By DON ROBERTSON

RANDFONTEIN and Afrikander 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 $195,25 ahead of the relaxation of American gold ownership regulations, taking gold share prices substantially higher. The RDM gold index, however, had topped on August 16, 1974, at 460,9 — the base for the table above.

At the top of the gold index in 1974 the gold price was $155,50 compared with its current $197,75. 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 Sallies, which has plunged in the four years by over 93%. 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. Afrikander 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 $192,01.

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

23/11/78 R.D.M.

79

By NEIL BEHRMANN

LONDON. — In spite of the 25% 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 $190 to $205 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 is the absence of any marked selling by the Soviet Union.

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 1auctions of 1 500 000 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 470 000 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 21 890 000 ounces, leaving 3 110 000 ounces to be sold by June 1980.

This means a reduction in the amount of gold on offer at the remaining 12 auctions to 259 000 ounces a month.

WORLD ECONOMY 21/11/78

Comeback for gold?

79

Europe's new plan for monetary unification should be of very great interest to SA. It could result in gold being phased right back into the world monetary system, just when the US and the International Monetary Fund are trying to end its monetary role by selling off their stocks.

Under the Franco German plan for linking up Common Market currencies in a new "zone of monetary stability" at the end of this year, member countries will chip in up to 20% of their gold and dollar reserves to finance a new $35 billion stabilisation fund. The money in this fund will be loaned out to countries in balance of payments trouble to help them support their currencies within the prescribed margins of fluctuation for members of the new European Monetary System.

But this means that borrowings from the new fund as well as repayments to it, will be made in gold as well as in currency. So a formula for valuing member countries' gold reserves at market related prices will have to be found. Thus the member governments of the new European Monetary System will find themselves both fixing a new international gold price and making deals at it. Gold will be re-enthroned as a monetary instrument in Europe.

Others may follow

This may not be the end of the story. Some European officials believe the gold price formula decided on by members of the European Monetary System will quickly be adopted by other countries as the basis for valuing their reserves. Thomas Wolfe, formerly head of the US Treasury's office of gold and silver operations believes that the IMF will be forced to end its present gold sales programme (which runs out anyway in 1980) in order to preserve stocks and maintain a competitive status with the European monetary stabilisation fund.

Officially, all European governments say they have no intention of trying to manage the world gold market again, as they did in the days of the London gold pool. But if the market fluctuated wildly some countries might be tempted to.

However officials in Brussels argue that the temptation will never arise. Once Europe starts to rehabilitate gold as a monetary instrument, the private market will feel the only possible direction for the gold price is upwards.

But what are the chances of the European monetary stabilisation scheme coming into force next January 1, as Germany and France insist it must? There is little doubt that France is committed to join at the end of this year, thus linking its currency up with the strong German mark. Holland, Denmark and Belgium, which already tie their currencies to the mark, are expected to become members too, while Switzerland and Austria, which are not Common Market members, may still apply for associate membership.

However, it remains unclear whether Britain, Ireland and Italy, three of Europe's weaker economies, will feel they can afford the increased self-discipline that membership would involve.

But the final decision is close. Common Market countries have agreed to give a firm yes or no when heads of government hold their next summit meeting in Brussels on December 4 and 5.

Financial Mail November 24 1978

a refusal to re-employ an African. In c

However, where the African workers involv

industrial council agreement, or an arbit

agreement which was still in force, the m

tion Act provided would be preferred to se

Bantu Labour Board had reported on the dis

thereafter to refer it to the Wage Board.

the conciliation machinery applicable to o

the determination had been in operation fo

In 1973 there were 47 labour disputes with

3 846 African workers. These were usually

A further 115 disputes, where work stopped,

strikes occurred and these involved 22 744

strikes in which 67 338 Africans took part.

It would not be unfair to infer that the al

imposed upon Africans by the State was inad

to stress it cracked. African workers esp

marked reluctance to use it in a meaningful

it without vitality.

THE BANTU LABOUR RELATIONS REGULATION ACT (

During the 1973 labour unrest the Governmen

twenty years, with cert...

23. Ibid.

24. Hansard 1.

25. Some of th

and Dudley

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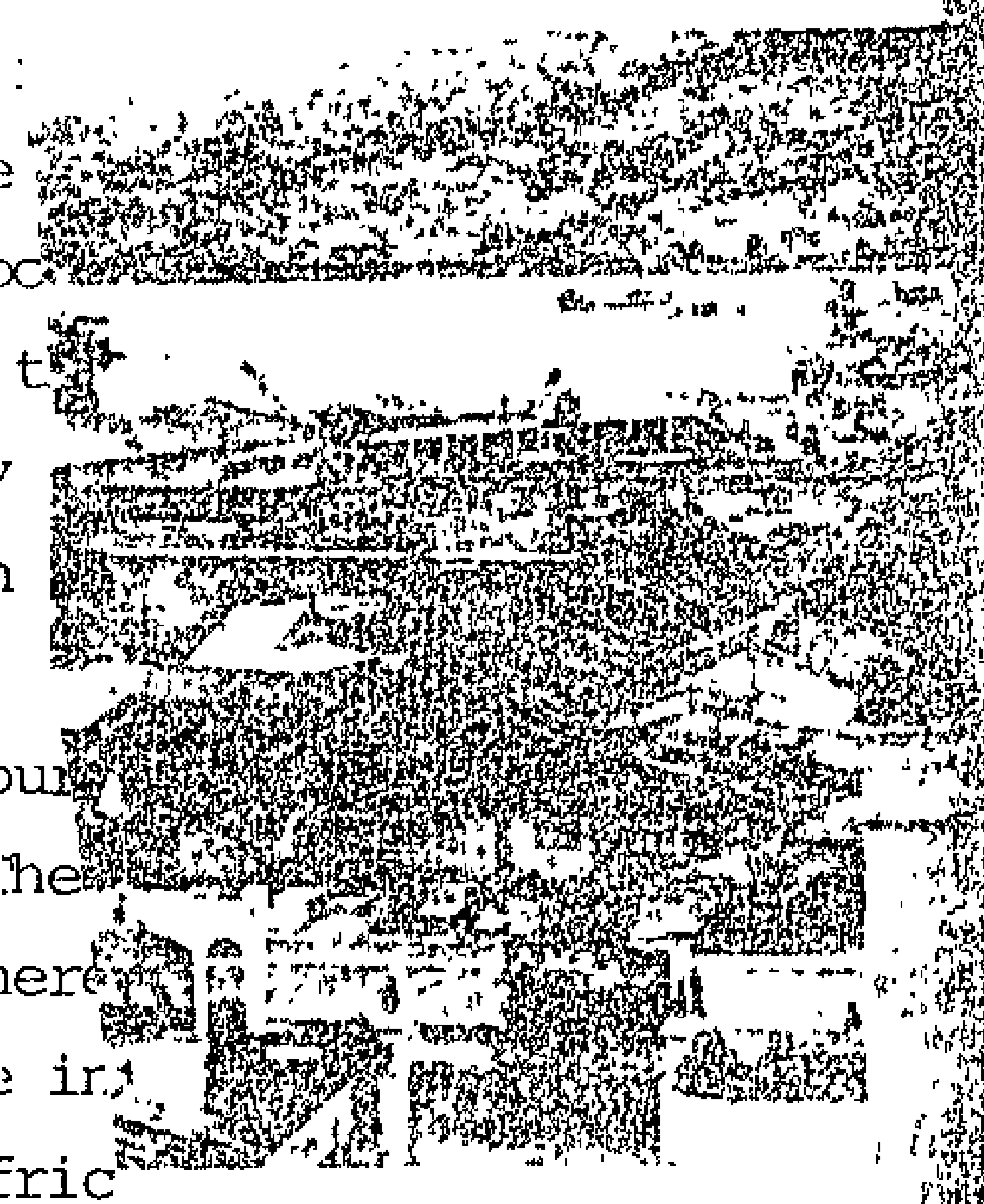
(79)

GOLD AUCTIONS

Melting bidders

At least part of president Jimmy Carter's dollar-rescue operation ran into trouble this week.

The US Treasury next month faces



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 aides blithely explained that the higher November auction would test market absorption capabilities so that the December sales would really represent "only" a doubling of the in-put 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 18 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.

chilly to SA

Financial Mail November 24 1

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or a conciliation board
the Industrial Concilia-
provided the Central
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of a wage determination
roups would be used if
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Bantu Labour Officers.
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There were also 246

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REGULATION ACT (NO. 70 OF 1973)

st the Government moved quickly to overhaul the
t Bill embodying its aims in this regard. Its
the Minister of Labour "... evoked wide interest,
osals for its improvement were received from most
nisations, from trade unions, individual employers
result the authorities altered the original Bill
ntu Labour Relations Regulation Amendment Bill.[25]

he three-tier system, which had operated for
mportant differences.

23. Ibid.

24. Hansard 17 column 8390, 6 June 1973.

25. Some of the comment elicited by these Bills is recorded in: Muriel Horrell and Dudley Horner. A Survey of Race Relations in South Africa, 1973. Johannesburg, S.A.I.R.R., 1974 pp.276-281 and 286-291.

HOLLARD

(FA) FM 24\11\78

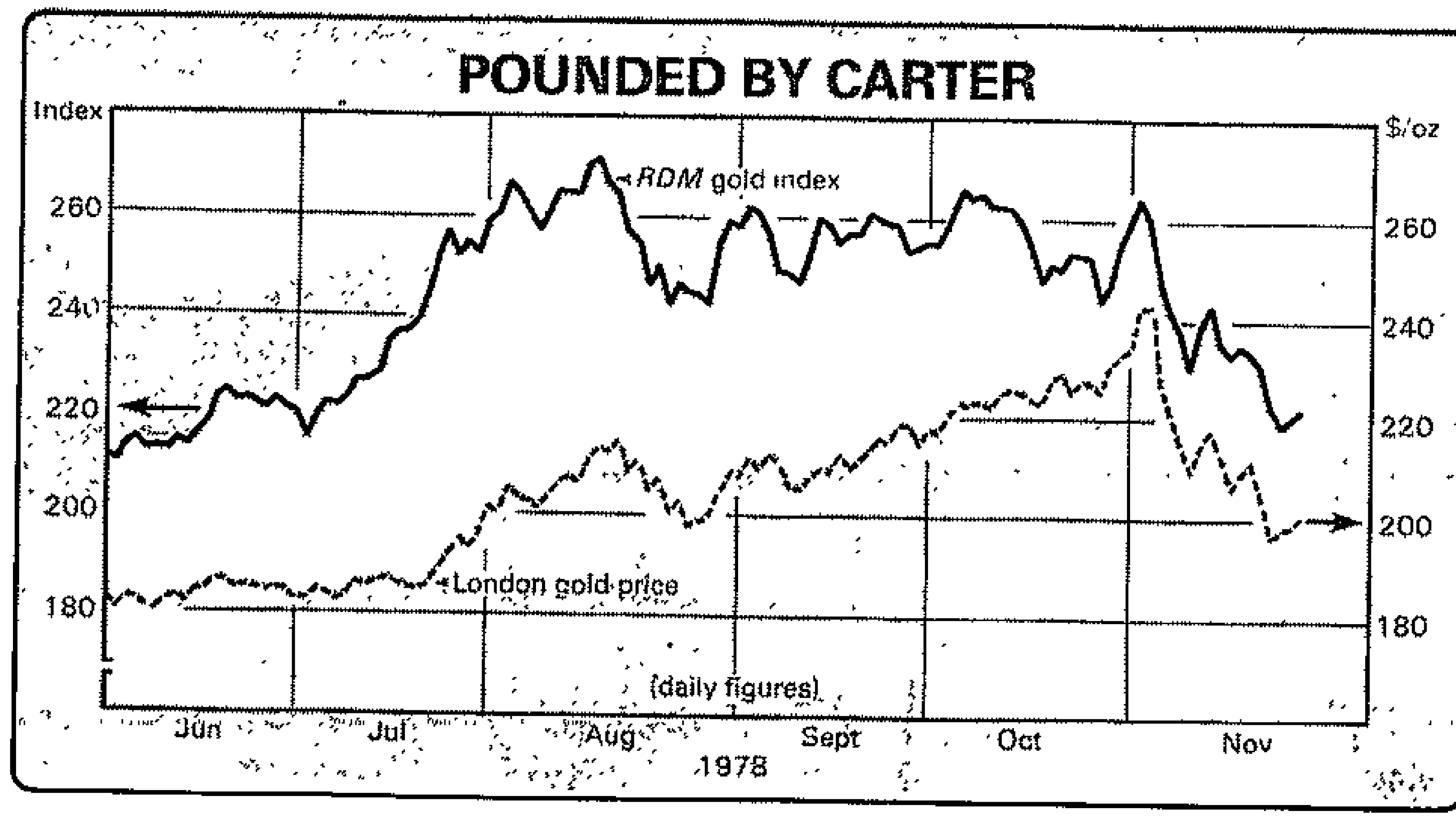
Gold auction disappoints

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 bullion's 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 bullion 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 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 Johannesburg 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 eased. Implats and Lydenburg firmed marginally, possibly helped by a Rusplat statement that US auto industry demand should increase in 1979. Rustenburg said in view of the forecast it "will reinstate certain aspects of the capital programme at the Amandebult section for R14m 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

signposts

	Current	Week ago	Month ago	Year ago
***RDM* 100**	**260,3**	**267,7**	**272,1**	**197,7**
% change on	—	—2,8	—4,3	32,7
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**
% change on	—	—2,8	—4,5	0,5
P/E ratio	8,1	8,3	8,7	8,4
Div yield	6,1	5,6	5,5	5,6
US Dow Jones	**804,1**	**785,3**	**832,6**	**842,5**
% change on	—	2,4	—3,4	—4,6
P/E ratio*	8,9	8,6	9,1	9,5
Div yield*	5,1	5,3	5,1	4,7
Gold price (in US $ on London)	**200,5**	**210,4**	**226,6**	**156,8**
% change on	—	—4,7	—11,5	28,9
Krugerrand (Rand)				
Public selling price	**199,0**	**210,8**	**226,1**	**156,4**
% change on	—	—5,6	—12,0	27,2

**Standard & Poor index.*

Public buying price is 10% below, subject to negotiation.

TABLE 2: EMPLOYMENT ON THE GOLD MINES: 1946-1977

Year	White	Black	Asian	Colour
1946	42 624	328 335	..	.
1947	41 010	318 767	..	.
1948	41 023	300 301	..	.
1949	41 520	315 518	..	.
1950	45 387	328 501	..	.
1951	46 623	322 892	..	.
1952	47 094	320 598	..	.
1953	48 174	311 403	..	.
1954	49 888	335 392	..	.
1955	51 138	347 138	..	.
1956	51 252	354 618	..	.
1957	49 757	353 875	..	.
1958	49 041	358 894	..	.
1959	51 114	398 166	..	.
1960	51 242	404 525	..	.
1961	50 610	415 078	..	.
1962	50 034	407 850	..	.
1963	48 686	395 762	..	.
1964	47 011	394 167	..	.
1965	45 273	387 368	..	.
1966	44 332	381 207	31	4[illegible]
1967	43 121	371 756	30	3[illegible]
1968	41 313	377 554	28	3[illegible]
1969	40 420	370 101	12	35
1970	39 386	386 485	20	35
1971	38 175	386 988	19	34
1972	37 651	374 843	21	35
1973	37 598	392 865	19	4[illegible]
1974	37 468	366 528	18	4[illegible]
1975	37 762	340 162	16	4[illegible]
1976	38 697	363 210	16	57
1977				

It's still a testing time for gold

Sun Tribune 26/11/78 (79)

Finance Reporter

THE BIG EVENT of the week for gold shares was the first US auction of 750 000 ounces and the result was considered reasonable encouraging.

An average price of 199,05 dollars was realised, a little higher than was generally expected and bids were put in for 911 600 ounces.

Gold shares on the JSE did not exactly jump for joy but it was felt that the market had stablised at around its current level after the fairly heavy selling bout of the previous week.

This was itself a delayed reaction to the resilience shown immediately after President Carter's "defence of the dollar" moves.

The next test for gold will be in a month's time when the US holds an auction of 1,5 million ounces.

This, more than anything else the President initiated, is what knocked bullion from its perch and it now remains to be seen whether the world's markets have discounted December's auction.

The US futures markets seem to have done so with bullion set at 198 dollars, though down two dollars on the auction.

But the fact is that next year the administration is committed to sell 18 million ounces which together with the IMF auction amount of 5,6 million ounces will give a total of 23,6 million ounces in 1979.

This is equal to a year's production from South Africa's gold mines so the market is going to have to absorb an awful lot of bullion.

At least around the 200 dollars mark, industrial demand is likely to be buoyant.

As long as the western economies do not dip into recession that is.

The main influence on the level of the gold price, however, is going to be the course of the dollar and at the moment its health is improving. Yet there seems no real reason why it should go markedly higher now that the impact of Carter's actions has been felt, for he did nothing fundamentally to improve or stimulate the US economy.

At present, therefore, the dollar and gold are in a state of uneasy equilibrium that could quickly become uspet by the result of the December auction: Nobody can predict the response of buyers but bullion markets would not be too happy if the full amount is not bid for.

TABLE 13: OUTPU ... MINES:

Year	Outp metr	s)
1946	:	
1947	:	
1948	4	
1949	4	
1950	4	
1951	5	
1952	5	
1953	7	
1954	6	
1955	5	
1956	62	
1957	66	
1958	63	
1959	68	
1960	77	
1961	89	
1962	91	
1963	79	
1964	849	
1965	942	
1966	1 060	
1967	1 149	
1968	1 153	
1969	1 197	
1970	1 427	
1971	1 644	
1972	1 483	258
1973	1 650	281
1974	1 877	293
1975	2 075	279
1976	2 409	269
1977	3 319	264

RDM 5/12/78 (79)

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 $192,34.

The dollar rose to its highest level since mid-July on the the Tokyo foreign exchange market yesterday, but then dropped sharply in the afternoon to close at 199,65 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 $30-million to $50-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 $197,50/$198,00, compared with Saturday's $195,90/$196,40 close and Friday's New York close of $197,00/50.

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$1 139,70 a tael, compared with Saturday's HK$1 127,50 close.

The Krugerrand fell HK$2 to HK$990, equivalent to $205,8.

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 nervous, 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 1,9180/90 marks against its 1,9232/42 opening, at 1,7190/7205 Swiss francs compared with its 1,7240/50 opening, and at 197,90/198,10 yen against its 199,50/70 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

RDM 6/12/78

(79)

LONDON. — The gold price and the dollar weakened yesterday. Gold was fixed at $196,40 in London in the afternoon in fairly quiet trading. The morning fixing was $196,65 anmd Monday's second fixing was $199,25.

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 $,30 lower and prices on the IMM were off 40c to $1,20.

In Hong Kong, the international gold price closed little changed at $197,20/$197,70.

Trading was nervous 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 196,80 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.

CLOSING prices: London $197; Paris $198,63; Frankfurt $197,21; Zurich $196,625; Hong Kong $194,80.

The Bank of Japan intervened and brought the dollar back up to a high of 198,40 yen. It was not known how much the bank bought.

Another dealer said the dollar would probably fluctuate between 190 to 200 yen level for some time.

The dollar gained against major currencies as the mark slipped in nervous morning trading in London following a Bundesbank directorate member's comments on the proposed European Monetary System.

He said present European float parities would be maintained when the EMS came into force, and entry parities for new members would be fixed around current market rates.

Dealers said the mark, which had earlier risen on expectation of a revaluation ahead of EMS introduction, fell immediately after this news.

But later on the dollar weakened. Dealers said speculation over possible exchange rate adjustments among West European currencies when the EMS was established helped to depress the dollar.

The dollar's weaker tack was arrested by European central bank intervention.

BUSINESS MAIL

Gold faces its real test at US auction

8/12/78

HONG KONG. — **The average price of $196,06 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.

Dealers say positive interpretations of the auction's result prevailed and pushed the international price to $198,20/$198,70 at mid-session, which was up on New York's $197,80/$198,30 close, which itself was $1,60 higher than the previous day's close.

Good two-way interest was noted in Hong Kong at early levels, with some European and US selling offset by Hong Kong short covering.

Dealers say the IMF auction's average price was widely anticipated and was in line with London's Wednesday afternoon fix and gold's $196/$196,50 close there.

However, the amount bid for — a total 1 965 200 ounces — was the highest since May this year when 3 100 000 ounces was bid for, and compared with last month's auction when bids totalled 689 600 ounces.

The IMF said bids accepted were in the range of $195,51 to $196,75.

Some dealers said, however, that the quality of the bids at the latest auction would give a clearer indication of gold's price trend than the quantity of gold bid for.

They noted that many unsuccessful bids could have been unrealistically and deliberately set low to fuel bullish sentment by giving the impression the market could comfortably absorb such large-scale demand.

Until the actual range of unsuccessful bids emerged, these dealers said, the auction's impact on price trends was mere conjecture.

The dealers said, however, that if demand for 1 970 000 ounces was genuine, market confidence should rise ahead of the United States General Services Administration's 1 500 000 ounce offer on Decembr 19.

Last month, Anglo American Corporation's gold and uranium division chairman, Mr Dennis Etheredge, said market nervousness had been far more related to the additional gold to be auctioned this month by the GSA than to President Carter's dollar support measures, which had largely been discounted.

Dealers say some of this nervousness could disperse if the market perceives greatly increased demand following Wednesday's IMF auction.

The auction, however, can only point to gold's short-term course, and the real test will be the strength of demand at the GSA's doubled-offering sale.

December 19 continues to hang like the sword of Damocles over the market, say dealers. — Reuter.

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Michaelis School of Fine Art, U.C.T.

f JERUSALEM (illustrated by slides)

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6\. Motion: The Wester ... the chairman of the
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7\. Election of office ... members for 1978-9/
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Huidige lede: Voor ... E. Atkinson
Sekr ... etary/Treasurer: Mr. J. Sang
(Vice: Miss P. le Roux)

Sekr ... / Schools' Secretary: Miss B. Keeson
(not available for reelection)

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8\. Any other business/...

J. Sang.
Department of Classics, U.C.T.
Phone: 698531 Extn. 213.

and provide their own remedies rather thar centre and await the official diagnosis an occupied specialist. In India droughts a relief code written by the British. Unde has to declare an area affected by drought operate. Under the Colonial administratic form of handling emergencies. Since indep popular government has allowed the procedur pressures on the state government. Drought area in the form of a strong flow of funds w at least manipulated by officials, local pol better placed in society. It is natural th will represent a case to the state governmen drought affected. It makes the decision to relief very difficult on the part of the state. A one area drought affected will almost certainly reduce ot declaring other areas similarly affected. As a result n to declare an area affected often leads to areas r no need for relief to be so declared as affected. This rnment, particularly the Finance Ministry, extremely he declaration of areas as drought affected. In the process costly delays before the state sets up drought relief the delay there are acrimonious conflicts over the accur of weather conditions and the degree of suffering involve finally declares an area affected, there is a mix of t eelings over the decision and consequently it takes so ly a serious drought, before government and society the effects of the drought.

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.

Star 19/12/78 79

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 1,5m ounce 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 4,0 point gain.

Freguls and Wes Drie both managed 100c rises, Vaal Reefs added 35c and Randfontein came up 50c. The rest of the changes were in the 15c 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 805c — 5c up on yesterday's close. Collieries, platinums and asbestos counters put on a few cents each and mining financials followed the producers higher. GFSA added 40c, Anglo put on 10c, Anglovaal came up 35c and Genmin 10c. It is a while since so many mining houses managed so many healthy appreciations.

Industrials held their own, but few shares moved more than 10c. Liberty however did manage a 30c rise while CG Sugar lost 25c and Hortors (HGX) dropped 15c.

By lunch-time 89 shares were up and 22 down.

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Gold rockets after oil shock

RDM 19/12/78

(79)

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 on 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 a further 70c in the afternoon.

Platinum was also firmer. It was priced at $345 in the morning, 15% up on the producer price of $300.

The Organisation of Petroleum Exporting Countries (Opec) has decided to raise crude oil prices by 14,5% in four phases next year.

The Autombile Association of South Africa estimated yesterday the oil price hike would cost South Africa about R120-million next year.

Mr Chris Heunis, the Minister of Economic Affairs, disclosed last week that South Africa's oil bill had risen from R190-million in 1972 to R1 300-million a year now.

There is major concern on world markets that the oil price rises will hnit 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 headed 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 1,6605 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 1 500 000 ounces from the US Treasury must be absorbed by the market.

Foreign exchange dealers said that there had been central 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 $20 000-million in 1979.

Foreign exchange dealers however, do not forsee 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 bank 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.

US Energy Secretary, Mr James Schlesinger, has predicted that the Opec price rise will add 0,5% to America's inflation rate next year and the White House has issued a statement regretting the increase and describing it as "unjustified"