GOLD

3 JAN. 1979 — ~~31 AUGUST 1979.~~

30 - Dec 1979

79

79

Outlook for the dollar is good in long term

79

RDM 3/1/79

Gold was fixed at $226,80 in London yesterday afternoon, down from the morning fixing of $227,15 but up on Friday afternoon's second fixing of $226.

Gold's firmness was attributed to further doubts about the dollar which took a severe drubbing when markets opened for the first time in 1979.

It fell sharply in every market that was open.

Markets in Zurich and Tokyo were closed and dealers in other markets ascribed no specific cause to the New Year dollar tumble other than general mid-winter pessimism.

In Frankfurt, the dollar opened AT 1,8055 marks, down from 1.8225 marks last Friday.

In Paris, the dollar tumbled to 4,1375 francs and Amsterdam marked it down from 1,9710 guilders to 1,9530 guilders.

In Brussels, the dollar fell from 29,34 Belgian francs to 29,025 francs, and in Milan from 829,70 lire to 823,00 lire.

In London the dollar opened at $2,0525 to the pound, nearly 1c more expensive than Friday's closing rate of $2,0415.

In early trading, the pound jumped to $2,0530, but then settled back to $2,0470.

In Hong Kong, the dollar was fairly steady in moderate late trading but below Friday's closing levels in new york.

Nervousness over the political situation in Iran as well as fears that the failure of the European Monetary System to come into operation on schedule might increase pressure on dollar were the main factors for its weakness.

Dealers thought it likely that the Bundesbank was intervening to support the dollar in small amounts.

The dollar is expected to continue under pressure in the early months of 1979 but to end the year at a higher level than at present, according to economist and market analyst views polled by Reuters.

The general view is that the dollar is undervalued in terms of purchasing power coming under pressure as data show little change in growth or inflation.

They say the United States trade deficit will show only a slow improvement during the year, and may even widen over the next few months.

Inflation will be the most persistent problem restricting the dollar's upside potential, particularly following OPEC's bigger-than-expected 14,5% oil price rise.

Economists say that while the oil price boost has increased the probability of a United States recession this year, any resulting gain for the dollar would tend to be offset by the highr rate of inflation.

Observers think the foreign exchange market's immediate reaction to OPEC's move was overdone.

Thay say the price rise could actually prove beneficial for the United States economy and the dollar if it leads to a reduction in growth, increased United States reliance on non-OPEC oil and higher domestic oil production.

They believe the administration will face its first test later this month when President Carter presents his budget.

His success in holding the fiscal 1980 budget deficit to below $30 000-million is likely to determine the dollar's trend in the next few months.

Continued intervention to support the dollar, both by the New York Federal Reserve Bank and other central banks when it comes under pressure is expected.

Foreign exchange dealers in Tokyo believe the dollar will resume its decline against the yen after January, a month when the dollar is usually in seasonally short supply.

They cite the Middle East situation, particularly political unrest in Iran, and the OPEC oil price increase as depressants.

However, some Tokyo dealers think the United States commitment to the dollar's defence, coupled with a substantial decline in Japan's trade surplus, could push the dollar above 200 yen (193,20 currently) during the year, requiring action to support the yen against the dollar.

Echoing the general view, those polled in London believe the immediate dollar outlook is cloudy.

But over the year as a whole, they expect a recovery and note that Euro-dollar deposit rates already reflect this opinion.

They also believe the foreign exchange market continues to lack confidence in the ability of the Carter Administration to act decisively to control domestic inflation and thereby back up the earlier promise of the November defence package.

In Zurich, bankers say they are certain the dollar will recover in the medium term from its present unrealistically low levels.

In the short term, however, the United States trade balance and inflation rate may tend to strengthen European currencies.

In Paris, foreign exchange dealers say the dollar's future depends on how far the Federal Reserve Bank and the European central banks are prepared to go in its support.

It will remain fundamentally weak until the United States reverses its payments deficit, they say.

Economists and financial analyts in London doubt that sterling will come under any unue strain this year although it may, along with the French franc and lira, find itself exposed should the dollar achieve prolonged stability.

They say the British Government is committed to a broadly stable exchange rate as a key element in the fight against inflation on which its overall economic strategy hangs.

RAND DAILY MAIL, Saturday, Jan. 13, 1979.

RDM 13/1/79

(79)

Dollar takes a knocking as gold eases

Financial Reporter

GOLD eased and the dollar gained on world markets yesterday.

The morning gold fixing in London was $216,60 compared with Thursday's second fixing of $220,65.

In the afternoon the fixing was up at $217,60 and in later trading gold was quoted in the $217,50/$218,25 range.

Sterling was particularly weak on foreign exchange markets in the wake of the official strike decision by lorry drivers.

The pound opened in London at $1,9840 against Thursday's closing level of $2,0010.

UPI reports that dealers were divided on the reasons for the dollar's improvement generally and not just against sterling.

In Frankfurt the dollar firmed inititally against the German mark from 1,8485 to 1,8585 marks.

Some dealers attributed this to the announcement that the US will sell $1 200-million of bonds to Swiss citizens as part of President Carter's package announced at the beginning of last November.

But others said the dollar's gains were too small to hold any real significance.

In Zurich the dollar rose in early trading from 1,6600 Swiss francs to 1,67675.

In Paris the dollar improved against the French franc from 4,2525 overnight to a first quote of 4,2675.

The dollar closed on the Tokyo markets at 197,75 yen compared with Thursday's close of 196,60.

But yesterday's close was down because of profit-taking on the five-week high of 198,50 that was hit at the opening trading.

Apart from the lorry drivers strike the pound was under pressure because of threats of other industrial disputes in Britain.

These include the possibility of a national rail strike, a walk-out by pilots and the risk of action by water and sewage workers.

Sterling's weighted value against a basket of other major curreecies fell from 63,4 to 63,1.

A leading banker said: "The selling of sterling was an extension of overnight selling from the Far East and America reflecting concern about strike disruption in Britain and what is felt to be in the inability of the Government to combat trade union power."

But the London Stock Exchange remained buoyant and confident.

Mr Anthony Solomon, the US Under-Secretary for Monetary Affairs, said: "The US has no interest in artificially perpetuating a particular international role for the dollar.

"There is the possibility that in time a European currency unit may develop as a reserve instrument of broader interest and use."

Gold men hit at tax load

Sun. Exp. 14/1/79

79

FOR some of South Africa's gold producers there is a nasty cloud in the golden lining — the tax man.

According to the group's quarterly results published this week, Goldfields had to shell out R112-m in tax. Happily, taxed profit at R70-m for the December quarter is 22% higher than in the September quarter.

And it is not only the GFSA chaps who are upset at the tax bite. Anglo's chairmen are also embittered that of the extra R155-m earned in the year, no less than R113-m was skimmed off for tax. Only R34-m was left for distribution to shareholders.

The Anglo men complained that the fiscal system which confiscates such a large proportion of earnings gives little encouragement for further investment in the industry.

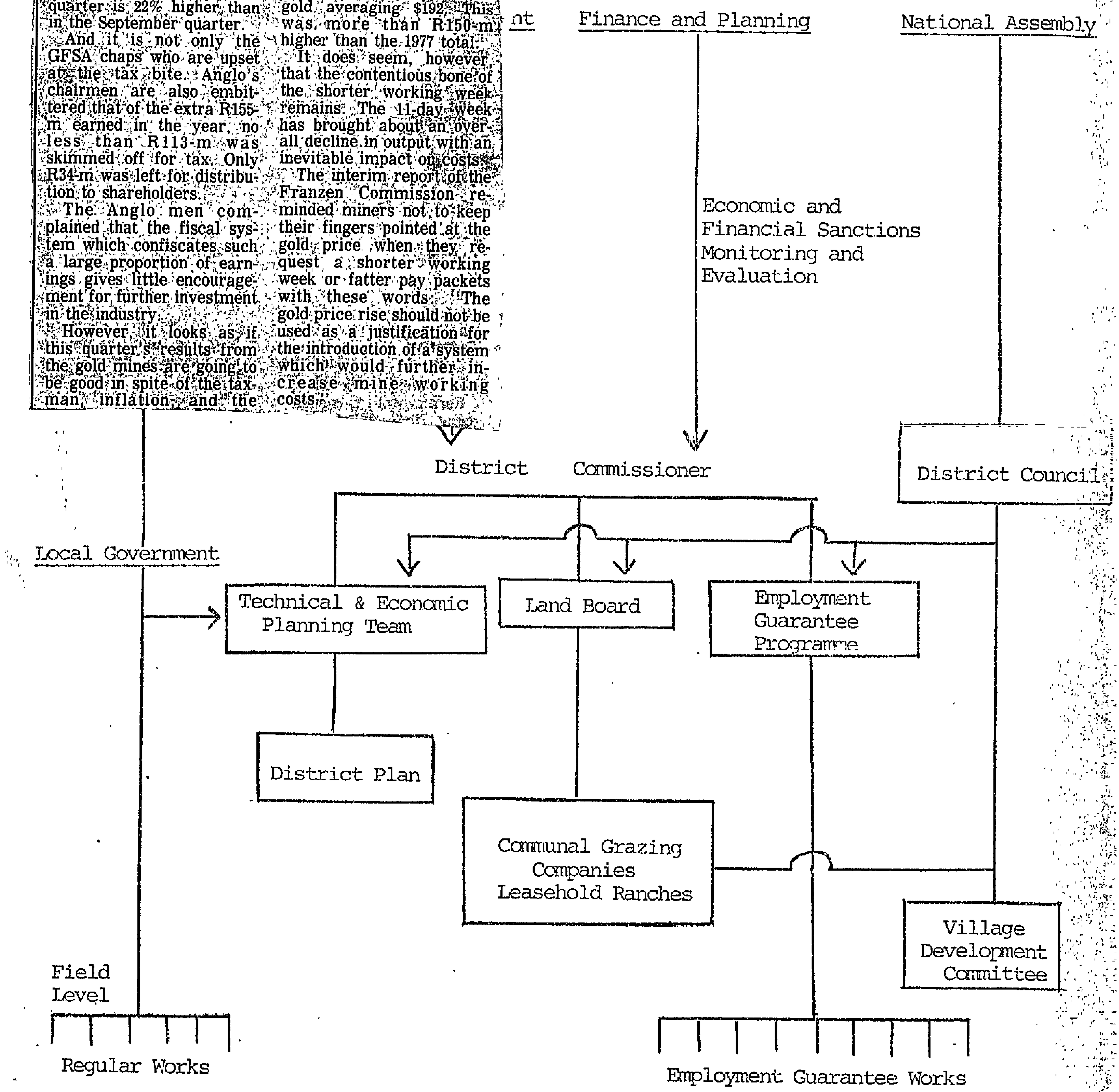
However, it looks as if this quarter's results from the gold mines are going to be good in spite of the taxman, inflation and the work pattern adopted by the MWU.

GFSA's quarterly income for December, with gold averaging $218, was a massive R254-m or 7,4% more than in September. Anglo's OFS mines earned a whopping R402-m over the year ended September 30 with gold averaging $192. This was more than R150-m higher than the 1977 total.

It does seem, however, that the contentious bone of the shorter working week remains. The 11-day week has brought about an overall decline in output with an inevitable impact on costs.

The interim report of the Franzen Commission reminded miners not to keep their fingers pointed at the gold price when they request a shorter working week or fatter pay packets with these words: "The gold price rise should not be used as a justification for the introduction of a system which would further increase mine working costs."

nisation for Rural Development



Star

BUSINESS

Gold marches ahead after US auction

Star 17/1/79

(79)

By Colin Campbell

Gold shares were marked higher across the board on the Johannesburg Stock Exchange today, and in world bullion centres the gold price rose strongly — hitting 226 dollars in Hong Kong—in reaction to yesterday's highly successful American gold auction.

Analysts labelled as "bullish" the heavy subscription for the US Treasury offering of 1,5m ounces of gold, and were encouraged by the cut-off point of 219,25 dollars for the high grade gold and 217,70 dollars for the low grade.

The auction attracted bids for the high grade of over 5,2m ounces and bids of nearly 1,25m for the low grade.

A total of 41 firms submitted bids and the highest bid for high grade was made by Gregory Sutliff, an individual investor from Harrisburg, who bid 222 dollars an ounce for one 400-ounce bar.

The Treasury is to announce later the final details of the auction, and said that the delay was caused by problems in tabulating the results.

For the low grade metal, Gerald Metals Inc, New York, submitted the high bid of 220,93 dollars an ounce for 2 400 ounces.

The high levels of bids and the respectable cut-off point helped lift spot gold for London delivery to its highest level in three weeks, Reuters reports from New York. Spot gold for London delivery closed up 6,50 dollars on the day at 225,30 an ounce compared with the previous close of 218,80-219,20 dollars, and London's close of 222/223 dollars.

Dealers say the improvement was partly in reflection of the favourable outcome of the American gold auction, and partly due to a further weakening of the US dollar in foreign exchange markets.

And from Hong Kong dealers report that the international gold price closed mid-session at 225,40 dollars. What local selling there was in Hong Kong was more than offset by overseas demand.

European foreign exchange dealers noted yesterday that the dollar came under renewed selling in active trading largely on uncertainty about the Bundesbank's readiness to continue to support the dollar.

The Budesbank vice-president, Karl Otto Pohl said in view of the high rate of acceleration in the German monetary growth in the last quarter of 1978, the Bank now faces the serious problem of whether to continue the monetary policy followed up to now.

Other dealers note that the dollar's run of confidence, following the recent Carter measures — notably the planned US sale of Swiss francs and mark-denominated securities — was losing steam.

With the gold price firm and the dollar again weak, it was another good day for precious metals. Platinum futures posted gains of 10 dollars on spillover buying, and silver coins surged 20 dollars to 150 dollars.

LME copper prices (spot) were £830,50 a ton compared with £821 a ton a day earlier, and three months copper was quoted at £845,50 a ton compared with £836,50 previously.

Short covering and new speculative buying put life into Comex and IMM futures. Comex prices were 6,30 dollars to 8,30 dollars higher, and on the IMM prices rose three to 10 dollars, lifting the gold price to 228,10 for the March contract.

ECONOMICS HONOURS 1978

SAEP SEMINAR NO. 14

The existence of the firm in econom
A study of the meaning and influenc
firm of economies of scale

Jonathan Brodie

GOLD QUARTERLIES

FM 16/2/79

(79)

After the auction

Hesitancy ahead of the US Treasury's second 1,5m oz gold auction was soon dispelled as auction details were announced. Bids were received for more than four times the amount of gold on offer and the price of 995 fine metal was fixed at $219,17. London bullion dealers wasted no time pushing the fix above $225. And while the dollar continues to come under increasing pressure in foreign exchange markets, the next series of upward moves could be sharp.

Apart from the dollar's problems, according to London arbitrageurs Simon & Coates, gold broke up through its Swiss franc trading barriers at the start of the year, demolishing one of the bear arguments that bullion's strength merely reflected the greenback's weakness.

There is increasing pressure on the US to put its economic house in order. But if European investors see the dollar support measures pumping too much liquidity into, particularly, the German economy, even currently strong currencies might become increasingly unattractive. For the mines, which at last appear to be escaping from an almost uncontrollable cost spiral, earnings prospects are improving fast.

Randfontein: Gold mill throughput is now slated to reach 350 000 t monthly capacity in March with yield falling to about 7,5 g/t this quarter. In the second quarter a further fall to about 7 g/t is likely as the mine reaches a steady operating rate.

Technical problems at the Cooke section uranium plant have still to be overcome, though most are expected to be resolved by the June quarter. So while Randfontein has been pushing gold recovery to provide necessary cash flow, there should be less pressure in the third quarter with increasing contributions from uranium.

It had been expected that the mine would become liable for tax by mid-year and, though no decision on a start to Cooke No 3 shaft has yet been taken, the likelihood is that capex this year will lead to tax being deferred into 1980. A start is being made to dewater Randfontein section below 26 level at the SD 32 shaft and plans are to re-establish operations at the No 2 North shaft.

In the Karoo, the joint exploration effort with JCI has yet to reveal a sufficiently large uranium deposit. Several deposits have been found but they are all too small to be viable alone. Though capex will be relatively large this year, a major improvement in uranium contribution should mean a total payout of at least 600c.

Western Areas: The mine is preparing for uranium developments with R2,9m retained last year and a re-scheduling of major on-going underground developments. A decision on exploiting the uranium-rich Middle Elsburg reefs should be possible within six months. If the green light is given (and technical planning is well advanced), capex will restrain dividends for probably two years. There should be another period of relatively heavy capex in the mid-Eighties as development of the mine's southern area gets under way. The mine cannot afford two major capex programmes at the same time.

Exploitation of the Middle Elsburgs will mean an inevitable drop in gold recovery. This year, however, yield will probably be maintained at the current 5,5 g/t. The aim remains to minimise tax, and even if no official announcement on uranium production is made until the second quarter of this year, development costs to open the Middle Elsburg reefs between 43 and 50 levels will restrain profits. Near-term, then, dividend declarations will be conservative. At this stage, retentions will probably limit this year's payout to no more than 30c.

Harmony: No details may be published in SA, but it is apparent from announcements made overseas by the consumer providing the interest-free consumer loan for the Merriespruit uranium plant that a highly favourable sales contract has been negotiated. The benefits will start flowing to Harmony in 1980 when the plant comes on stream. Meantime uranium profits will be helped by gradual expiration of old contracts.

The mine's gearing to the gold price is becoming increasingly obvious, though recovery should decline further as increasing tonnages are drawn from Merriespruit. After the 37c interim, a 50c final could be on the cards.

Blyvoor: Capex remaining for the final two quarters is R6,9m with a further R12m next year. Even so, if recovery can be maintained above 10 g/t, a 50c final should be possible after the 40c interim.

Durban Deep: Mining of the No 5 shaft pillar is maintaining yield above 4 g/t, but available ore from this higher-grade source is limited. Advancing bullion will inevitably be accompanied by grade cuts, probably to the 3,5 g/t region. Lower mill throughput in the December quarter was accompanied by a 6,9% unit cost increase to R22,01/t, so there is clearly a need to raise the milling rate to within striking distance of capacity. With an advancing gold price, previously deferred capex becomes possible. Even so, this year a total 15c payout looks likely.

ERPM: With costs currently $239 per ounce, the aim this year will probably be to maintain or even increase mill throughput while holding yield at above 5 g/t. Increasing mill throughput to near monthly capacity of 245 000 t would mean cutting yield to the 4 g/t level. Repayment of State loans and lower State aid receipts as bullion advances will restrain dividends, but there seems scope for a 20c total payout this year.

St Helena: Gold yields are tending to stabilise at lower levels, though an inevitable steady decline will take place as mining operations increasingly focus on the southern part of the mine. Exploitation of this area could call for an additional surface shaft and one possibility is that this could be sunk in association with neighbouring President Brand. Until then, capex will remain relatively low and dividend prospects reasonable.

Winkelhaak: The area to the east of the mine probably contains about 20 Mt of payable ore and the question now being asked is when Winkelhaak will start development. A new shaft could be needed, but if the mine takes over Bracken's mill, capex for an additional 100 000 t/month capacity will be kept to a minimum. As yet, no moves have been announced along these lines, but with little prospect of useful life extensions at Bracken, the move is obvious.

Kinross: Higher bullion means that more lower-grade ore blocks can be mined. And with no major capex slated for some years, the mine can become increasingly flexible on its milling grade. As predicted, sampling results have improved with increased development in the No 2 shaft

No. 96 19 Januarie 1979

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekendgemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 31 Desember 1978 teen R171,58 per ons suiwer goud gewaardeer het.

4935—1

No. 96 (79) 19 January 1979

SOUTH AFRICAN RESERVE BANK ACT, 1944

DETERMINATION OF STATUTORY PRICE OF GOLD

It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 31 December 1978, all gold of the South African Reserve Bank at R171,58 per fine ounce of gold.

6273—1

GG 6273

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UNIVERSITY OF CAPE TOWN
DEPARTMENT OF SOCIOLOGY

Private Bag
Rondebosch
7700

Telephone: 69-8531 Ext. 402   Telegrams: "Sociology Rondebosch"

KJ/rb   9 November 1978

Mr H O Metcalf
Arts Faculty
University of Cape Town

Dear Mr Metcalf,

I have been requested to inform you and, via you, the Arts Faculty of certain changes which have been made as regards the Industrial Sociology course.

As you are no doubt aware, the Department of Sociology has in past years run a one year Industrial Sociology course as a service course for B Com students. As a result of the altered B Com curriculum regulations which now permit students to take practically any one Arts or Social Science course in their first year (instead of the choice between Industrial Sociology and Economic History as in the past), the Department of Sociology decided to discontinue Industrial Sociology as a service course.

Because of the demand from many students for a more practical and career orientated sociological training, the Department, with Faculty and University approval, has decided to offer two three-year programmes under the general rubric of sociology. The one is referred to as "General Sociology" and the other as "Industrial Sociology".

All students will register for Sociology. After an introduction to sociology and a discussion of the two programmes, students will, after six weeks, be expected to choose whether they wish to follow the General Sociology programme or the Industrial Sociology programme. Those who opt for Industrial Sociology will now be able to major in that subject.

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VOL. 163] PRETORIA, 24 JANUARIE JANUARY 1979 [No. 6288

PROKLAMASIE

van die Staatspresident van die Republiek van Suid-Afrika

No. R. 19, 1979

VERBOD OP GOUD- EN VREEMDE VALUTA-TRANSAKSIES EN EFFEKTETRANSAKSIES

Kragtens die bevoegdheid my verleen by artikel 9 van die Wet op Betaalmiddels en Wisselkoerse, 1933 (Wet 9 van 1933), vaardig ek hierby die volgende regulasies uit:

1. Behalwe met die spesifieke vergunning van die Minister van Finansies, mag geen gemagtigde handelaar in vreemde valuta op 24 en 25 Januarie 1979 enige goud- of vreemde valutatransaksie aangaan of aan enige sodanige transaksie wat voor genoemde datums aangegaan is, uitvoering gee nie.

2. (a) Niemand mag te enige tyd op genoemde datums 'n effektebeurs open of oophou nie.

(b) Geen effektemakelaar soos in artikel 1 van die Wet op Beheer van Effektebeurse, 1947 (Wet 7 van 1947), omskryf, mag op genoemde datums, ongeag of dit ten behoewe van 'n ander persoon is al dan nie, enige effekte soos in bedoelde artikel 1 omskryf, koop of verkoop of andersins daarin handel dryf nie.

3. Iemand wat 'n bepaling van regulasie 1 of 2 oortree, is aan 'n misdryf skuldig en by skuldigbevinding strafbaar met 'n boete van hoogstens R50 000 of met gevangenisstraf vir 'n tydperk van hoogstens vyf jaar, of met beide sodanige boete en sodanige gevangenisstraf.

4. 24 en 25 Januarie 1979 word geag openbare feesdae volgens artikel 2 van die Wet op Openbare Feesdae, 1952 (Wet 5 van 1952), te wees vir die doel van die nakoming van enige verpligting, die uitoefening van enige reg, of die verrigting van enige handeling wat op

PROCLAMATION

by the State President of the Republic of South Africa

No. R. 19, 1979

PROHIBITION OF GOLD AND FOREIGN EXCHANGE TRANSACTIONS AND OF TRANSACTIONS IN SECURITIES

Under the powers vested in me by section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), I hereby make the following regulations:

1. Except with specific permission granted by the Minister of Finance, no authorised dealer in foreign exchange may on 24 and 25 January 1979 enter into any gold or foreign exchange transaction or carry out any such transaction which has been entered into prior to the said dates.

2. (a) No person shall at any time on the said dates open or keep open any stock exchange.

(b) No stock-broker, as defined in section 1 of the Stock Exchanges Control Act, 1947 (Act 7 of 1947), shall on the said dates, whether or not on behalf of any other person, buy or sell, or otherwise deal in any securities as defined in the said section 1.

3. Any person who contravenes any provision of regulation 1 or 2 shall be guilty of an offence and liable on conviction to a fine not exceeding R50 000 or to imprisonment for a period not exceeding five years or to both such fine and such imprisonment.

4. 24 and 25 January 1979 shall be deemed to be public holidays in terms of section 2 of the Public Holidays Act, 1952 (Act 5 of 1952), for the purpose of the carrying out of any obligation, the exercise of any right or the doing of any act, which is to be carried

of nie later nie dan genoemde datums nagekom, uitgeoefen of verrig dien te word, en wat as gevolg van die bepalings van regulasie 1 of 2, dit nie doenlik is om op genoemde datums na te kom, uit te oefen of te verrig nie.

Gegee onder my Hand en die Seël van die Republiek van Suid-Afrika te Kaapstad, op hede die Drie-en-twintigste dag van Januarie Eenduisend Negehonderd Nege-en-sewentig.

B. J. VORSTER, Staatspresident.

Op las van die Staatspresident-in-rade:

O. P. F. HORWOOD.

out, exercised or done on or not later than the said dates, and which, as a result of the provisions of regulation 1 or 2, it is not practicable to carry out, exercise or do on the said dates.

Given under my Hand and the Seal of the Republic of South Africa at Cape Town this Twenty-third day of January, One thousand Nine hundred and Seventy-nine.

B. J. VORSTER, State President.

By Order of the State President-in-Council:

O. P. F. HORWOOD.

INHOUD

CONTENTS

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6288—1

It could be another good year for gold

NM 31/1/79 (79)

LONDON — The position of gold within the monetary system has been enhanced over the past 12 months and will become even more acceptable in the course of 1979.

This view was postulated by Mr. Robert Guy, director of N M Rothschild and Sons in a speech delivered at an American metal market gold and silver forum in New York yesterday.

In the short term there could be a reversal to 220 dollars but the vote of confidence which some central banks have passed on gold should assist the price to reach a range of 260 dollars to 290 dollars this year.

Mr. Guy said in private there are European central bankers who are noticeably less hostile towards gold than a year or two ago.

"Gold for them still has a role to play although eventually I think they hope it will wither away," he said.

France, Italy and the Netherlands are more positive because they have revalued their gold reserves to levels approximately in line with current market prices.

Furthermore, these countries have successfully persuaded the other members of the community to pool part of their gold reserves in the new European Monetary Fund, ensuring that the metal will back the new European Currency Unit, the ECU.

While Europe appears more positive towards gold and the United States, still in favour of continued demonetisation, Japan is in an extremely difficult position. Japan's method of valuing gold reserves remains a secret. But Japan's imports of gold for industrial and investment consumption have doubled over the last 12 months.

"If Japan was to take a more positive attitude towards gold, nobody would be surprised," commented Mr. Guy.

The London bullion manager pounded out that other central banks with a high proportion of currency reserves, but low gold holdings, are potentially active participants in the gold market.

These countries see that with the exception of the U.S. major central banks do not sell their gold. They notice that collaterisation of gold is an accepted practice, while gold has been reactivated in the European Monetary System.

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Emotional maturity				
Intellectual capacity				
Appearance				
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In a stew over gold price

ZURICH. — Swiss bullion bankers say the likely trend of the gold price has become unusually difficult to judge. Some believe that gold is heavily overbought and ripe for a downward reaction, and others say that with the unrest in Iran and strong demand from the Middle East, it may rise further.

Since the new year gold has risen from just over $220 an oz to about $235, with a more marked rise to about 12 700 Swiss franc a kg 11 750 Swiss francs.

One of the bankers who holds that the price increases has been overdone is the Swiss Bank Corporation general manager, Mr Walter Frey, who says the prospects of a stable dollar should sooner or later encourage liquidation of speculative positions, especially once the Soviet Union returns to the market as a seller.

All the bankers confirm the Soviet Union has not been in the market recently and this has led to a shortage of physical gold.

But not all agree that a resumption of normal supplies from this quarter will trigger unwinding of positions by investors.

Some bankers say the Soviet Union has an extremely sophisticated policy for selling gold and has been able to sell large amounts over the past few years without upsetting the market.

The situations in Iran and South East Asia, as well as that of the dollar, remain uncertain, and could stimulate speculative demand, offsetting any Soviet supplies.

Another factor supporting the gold price is the slightly lower supply than usual from South Africa.

Gold is also being supported by firmness in other precious metals, including silver, palladium and platinum.

Demand is strong, particularly in the Middle East. This has given rise to rumours that oil-exporting countries in the Persian Gulf may, for the first time, be buying gold for their official reserves.

However, bankers say the amounts involved cannot be large and there is no evidence such buying will continue indefinitely.

There are a number of factors which militate against a higher gold price.

Among these are the sizeable amounts scheduled to come on the market from US Treasury sales.

The first sale met strong demand, but there is no means of telling whether this pattern will be repeated, and sales of this magnitude could easily begin to weigh on the market.

Speculative demand could be discouraged if the dollar continues to strengthen, and gold might also fall in sympathy with any decline in other precious metals.

One feature which has not been detected in the market recently is sellking from countries with balance of payments deficits.

Such countries now apparently prefer to use their gold holdings as collateral wherever possible. — Reuter.

../6

in British East Africa one of the oldest art schools, Makerere University College, was founded by Margaret Trowell in the 1930's and later given government support. In Salisbury, Rhodesia, the National Gallery supports the development of the new art: the museum director Frank McEwen established at the museum a workshop for African artists which provides working space and materials.

In comparison, the Belgian colonial administration in the Congo only made minor efforts to encourage the arts - a few schools began by private organisations only received Government support in the 50's. With the political upheavals since independence, Zaire has had little opportunity to improve the situation. The French colonial administration was more active: few commissions were given to African artists of note, and museums are exclusively concerned with traditional art, but art schools were encouraged and adequate facilities provided. Two schools in Brazzaville were subsidised, while the government founded an art school in Dakar, Senegal in 1957. Since achieving independence, the Ivory Coast Government has established a major school in Abidjan.

African countries independent of colonial rule for most of all of their history show varying degrees of Government participation in art activities. Liberia has no important government programmes for aiding art and no new artists of note. In South Africa, African artists are not encouraged at all; those artists who have made achievements have either been encouraged by missionaries, individual European artists or have studied overseas. Ethiopia presents a better picture: the Government aided the establishment of the Fine Arts School in Addis Ababa in 1957, and frequently awards major commissions to African artists - for example the three monumental stained glass windows by Ajewerke Tekle in Africa Hall (headquarters for the United Nations Economic Commission for Africa).

Not only is there a relationship between the general state of art in each nation and the attitudes of the (former) ruling colonial powers, but there is also a correllation between the various European cultures' and attitudes towards art instruction and hence the type of work produced (since the majority of African artists have been trained in art schools in Africa, but sometimes also in Europe and America), which, until recently, were largely staffed by expatriates. Methods vary from almost complete lack of formal instruction to well organised art programmes leading to recognised academic degrees. The first approach was successfully pioneered in French-speaking

..../7

Sun. Tribune 4/2/79

(79)

This will be another good year for gold

By TONY HUDSON

DESPITE the very good chance of a world recession, the South African economy is likely to continue to recover during 1979.

Stellenbosch University's Bureau for Economic Research latest opinion survey is, however, rather more pessimistic about the rest of the world. It says: "The emphasis has shifted from as to whether the world economic recovery will peter out to the question of how rapidly it will lose headway."

It says that while the expected downswing will have unfavourable connotations for the South African economy, it will have its beneficial side.

The bureau says: "It would seem logical that sluggish foreign economic activity would have an adverse effect on business and consumer confidence which will again focus attention on the role of gold, and any attempt to effect a relatively strong revival may lead to fears of inflation.

"We may deduce from this that the demand for gold will remain relatively strong and that its price will not fall very readily. It does, in fact, seem relatively safe to assume that the average price will be 200 dollars a fine ounce. This means that gold will once again make a large positive contribution to our international payments position."

However, the bureau feels that increase in export activity in 1979 will be minimal because of agricultural setbacks caused by bad weather. This, combined with the Iranian situation, will give government little room for manoeuvre in the balance of payments.

On the positive side, the bureau expects wages and salaries to increase during the year which will boost private consumption expenditure, which is so vital to a sustained recovery.

In fact, the bureau points out that the increase in real private expenditure for the first three quarters of last year was 3,5 percent up on the figure for the same period in 1977 and that it is unlikely to show an increase of less than 3,5 percent for the whole of 1978. The rate of increase for 1979 will be maintained, given the more favourable circumstances.

The bureau predicts that inventories will probably increase during the year and that a certain amount of stockpiling will take place. On the investment front, it expects the increase in fixed private investment to remain low, perhaps even lower than last year. Main reason for this is the tremendous surplus of production capacity in the country.

On the other hand, the bureau says the possibility of a marked increase in public corporation investment is good and it feels that government may well decide to undertake more investment in order to provide employment.

Gold up $12 in one day!

RAM 6/2/79

(79)

By NEIL BEHRMANN

LONDON. — Gold soared $12,80 yesterday — one of the largest daily moves — to $243,10.

The price is only a whisker from the record $243,65 set at the end of October last year.

The continuing crisis in Iran and the threat to US oil helped send the dollar down and gold up on world markets.

Platinum bounded above $400 for the first time yesterday to touch $404 in London in the afternoon.

Gold was fixed in London at $238,80 in the morning compared with Friday's second fixing of $230,30.

It rose a further $4,30 in the afternoon.

Commodities generally went racing up yesterday with copper breaking above 1 000 pounds, the highest level since mid-1974.

The dollar opened lower in both London and, later, in New York but steadied in later trading.

London bullion brokers Sharpes Pixley say that gold will surpass its previous between-fixing peak of $245 with little difficulty, but caution that most of the present buying is speculative.

In the past few weeks copper, silver, platinum and gold have been virtually one way markets up.

Dealers say there has been a squeeze in silver, while Russian deliveries of both gold and platinum still remain well below normal.

Platinum dealers, however, are especially cautious.

The producer price is more than $70 below the free market price.

The dealers report that several consumers are buying platinum at the producer price and intend taking a selling turn at the higher free market prices.

They are especially worried because inventories are increasing and a large proportion of this metal will not be used.

With the Russians out of the market for some 18 months, it is also being widely assumed that this situation will continue for some time ahead.

But in 1974 the Russians re-entered the market with a vengeance after holding off and the platinum market collapsed through the floorboards.

Some commodity dealers are looking back at the 1974 precedent when, after hectic speculation in the wake of the 1973 huge oil price increase commodity prices slumped as the world economy stabilised.

ON FEMINISM - THE WOMEN'S MOVEMENT REPLY

As a group of U.C.T. Feminists we are appalled by the naivety of the S.S.D. editors' in including the pretentious study entitled "A Critique of Bourgeois Feminism" in their latest newsletter. We would like to point out some of the combined illogicalities, misconceptions and muddled thinking that appear in their article.

The description of what a Women's Movement should be confines itself to stating the obvious; "A Women's Movement is a political movement", "It must, therefore, identify the women's position within the [illegible] ety". To assume that factors such as the "pass-laws, the reserve [illegible] the role of women in these" have not been explored, even theore [illegible] T. Women's Movement indicates that the writer of this article has [illegible] of discussions and projects currently in progress among Wo [illegible] s. A notable difference being that members of the Movement a [illegible] of the discrepancy between "examining the institutions th [illegible] and reproduce the structural position of women in South Afr [illegible] at the writer idealistically refers to as "adequate politica [illegible] n the context of such an undeniably bourgeois establishm [illegible] sity. To theorize around the projected "integrated struggle [illegible] men and women" is mere utopianism, organisation must [illegible] ecific oppression. Separatism in no way excludes the awarenes [illegible] groups.

In correlating such diverse sta [illegible] ntal contradiction that exists between men and women" (which [illegible] examined in detail) and saying that "the contradictions that e [illegible] asses then assumes secondary importance (if at all)" the wr [illegible] that he/she moves from stating a basic feminist tenet to attack [illegible] ist stance - radical feminism (not to be confused with Marxis [illegible] or Lesbian Feminism) which is only one of the numerous positi [illegible] en within the 'umbrella' organization of the movement. T [illegible] nformed attempt to stereotype the U.C.T. Women's Movement into [illegible] l-feminist group and attack its policies accordingly.

By a process of flawed illogical [illegible] se conclusions are deduced, the most erroneous of which conc [illegible] aising". No feminist position in any Women's Movement [illegible] ription of "consciousness-raising" as an involvement with [illegible] is clear that, despite the tedious catalogue of fundamentals [illegible] led to appreciate the basic fact that "women's problems"- rap [illegible] n etc., are not personal and private problems and that the sma [illegible] the crucial transition in awareness from the personal to th [illegible] t individual political consciousness there can be no mas [illegible] sness. A practical example of this is the "speaking bitterne [illegible] small groups of Chinese peasant women, which played a vit [illegible] lisation.

The cultural conditions of people [illegible] tant as the economic basis of their oppression in determining [illegible] speaking of "the very real contradictions that exist between [illegible] experience their oppression as discrimination and working clas [illegible] ce their oppression as essentially exploitation" a dichot [illegible] between the 'bourgeois' psycho-sexual forms of oppression [illegible] the 'real' material forms on the other substituting a mechan [illegible] relations for a more profound understanding of how these [illegible] ession depend upon and reinforce each other.

The mock-warning that "Inadequate [illegible] ure that "Women's liberation is not achieved simulta [illegible] ration of men..." shows no cognisance of the historical fa [illegible] orld revolution this century have women, by fighting al [illegible] where near achieving equality, simultaneously or after [illegible]

Gold price spiral sparks tax cut hopes

79

8/2/79

By Michael Chester
Financial Editor

The worldwide gold rush became more hectic than ever today when the International Monetary Fund in Washington announced that he average price set at its latest bullion auction shattered all records at 252,53 dollars an ounce.

International bankers and dealers were in a scramble with bids soaring to nearly 1,5 million ounces for the 470 000 oz of gold on offer in the series of monthly sales.

On the heels of the result the gold price on the New York bullion market swept to a new peak of 253,50 dollars — and dealers went on to bid a staggering 304 dollars an ounce on the futures market for gold to be delivered later in the year.

Prices on both the spot and futures markets were checked only because the increases hit the ceiling of the limit set by New York of allowing rises of no more than 10 dollars in a single daily session.

Demand was made all the heavier by reports from the Credit Suisse Bank in Zurich that Middle East buyers were on a tremendous buying spree and expected gold to soar yet higher to 270 dollars, or even 300 dollars an ounce.

At 250 dollars the price in rands goes up to more than R217 an ounce.

The phenomenal spiral of gold, along with platinum and a whole string of minerals exported by South Africa, is stirring speculation that the Minister of Finance will be able to announce tax cuts in the 1979 Budget to be delivered next month.

● Arabs lead rush into gold — Page 23.

continues/...

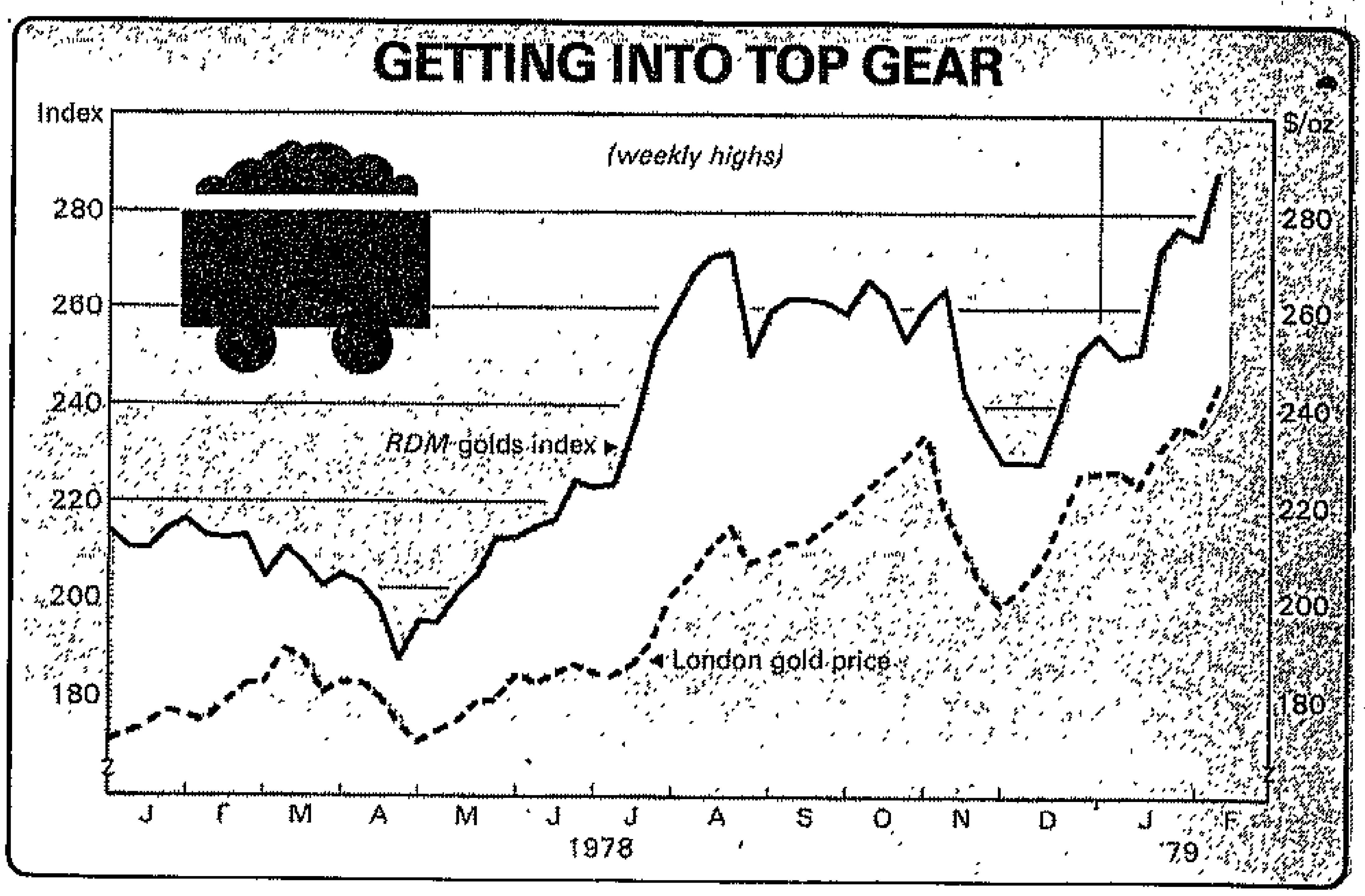
DIAGONAL STREET

Go-go gold

Cautious souls may cry that the growing activity in golds points to an approaching bull market top, but at least for the next few months their views will probably fall on deaf ears. Buying pressure both in Johannesburg and overseas appears simply irresistible. Wednesday afternoon's London bullion fix of $251,60 could open the floodgates. And while platinum continues to perform along with bullion, the spill-over into platinum shares should increase.

As our New York correspondent points out elsewhere, Wall Street reckons that recent US prime rate cuts are only a temporary phenomenon. Once US interest rates get on the move again, Wall Street could be set for some major reversals. That is all very well, but US buying of golds normally moves contra-cyclically to changes in the Dow.

US investors currently hold just over $1 billion in SA golds compared with the US$900 billion capitalisation of all companies quoted on the big board. So though gold share investors are always assumed to be among the mavericks of the US investing public, it would only take a small percentage switch from US stocks to give golds another major shot in the arm.



Better than currencies

It is not only in the US that buying pressure is building up. Europeans are increasingly taking the view that it is better to be in bullion than in hard currencies. Gold has now broken decisively out of its SwFr-denominated four-year bear trend. The bullion price now no longer simply reflects the dollar's weakness. As far as most UK analysts are concerned, it will not be long before the present European nibbling at gold shares turns into a meal.

Even London, whose influence in the gold share market has declined to almost non-existence in recent years, is changing its tune. Last year, London concentrated its attentions on shares benefiting from the UK consumer spending boom. Now, with the dollar premium set for further advances and as interest in UK securities wanes, the trend is back to golds.

Overseas logic appears impeccable. With present rand-dollar discounts, a share such as Stilfontein is on prospective 45% yield to a US buyer. And that is not an isolated instance.

Is there anything that can stop bullion's advance near-term? Not as far as most analysts are concerned. Loss of Iranian arms orders coupled with Rotterdam spot oil quotes of as much as $25/b are scarcely designed to help plug the US trade deficit. Oil fears are starting to boost uranium prices from previous spot levels of around $40/lb. One unnamed country is reportedly negotiating with Japan for consumer finance to establish a new uranium mine based on uranium delivery prices of over $50/lb.

Though there have been denials from the Reserve Bank, few of the more bullish analysts are prepared to believe that SA has not negotiated an oil for gold barter deal with Saudi Arabia. Based on SA's present level of imports, payment in gold could divert as much as 200 t of SA's 700 t annual sales away from conventional markets. Even a partial deal's impact would be sufficient to trigger a rapid advance in bullion.

Most analysts agree that there will be something of a correction mid-year. Industrial demand does tend to tail off seasonally as Europe heads for its holiday resorts. But general opinion is that by end-February gold will be somewhere in the region of $260. Mid-year the expected correction might well see bullion trading back below $230. But there are few analysts prepared to predict a price of much less than $300 by end-September.

Of course, a rising gold price should limit downside potential of the rand aginst the dollar. But few believe that the present $1,15 parity will be maintained. And that means an even greater boost to the mines' rand earnings.

What should investors be in? More or less across the board is perhaps the answer. If you really go along with bullion's bulls, best prospects for capital gains will be in the out-and-out marginals such as Loraine, ERPM, Wit Nigel and Durban Deep. Fixed grade producers such as Western Deep may not perform as well as the index, though fears on dividend distributions following London press reports of a R300m capex programme do appear to be premature. And there is no point in ignoring uranium producers. The fundamentals for a mine such as Stilfontein are looking increasingly good.

Meanwhile, platinum's strong break through $400 for a $414 quote on Wednesday makes the Rustenburg/Impala producer price hike to $325 look almost conservative. I do not see the producers upping their price within the next few days, but there are few doubts here or overseas that a producer level of $350 will be a fact before Easter. At end-October 1978 when Impala gained a direct JSE quote, the producer price stood at $280. Impala traded at 445c then and Rustenburg at 228c. Now, with a $325 producer price, Impala closed on Wednesday at 443c. Over the same period Rustenburg has moved from 228c to 295c.

Rustenburg had a lot of recovering to do and its recent strength has been largely based on US buying. But though Impala will be faced with some relatively heavy capex for shaft sinking within the next couple of years, perhaps the time has come when both counters should start performing.

Jim Jones

Gold stumbles after record $254

RDM 9/2/79

(79)

LONDON. — The gold price fell back yesterday afternoon after its record fixing of $254 in the morning in London. The afternoon fixing was $250,50. Wednesday's second fixing was $251,60.

US gold futures opened lower on the firmness in the dollar in New York and some profit-taking.

The International Monetary Fund gold auction results averaged $252,53 in a range of $252,47/$252,77.

New York Commodity Exchange prices were down $2,70 to unchanged and IMM prices were off $1,60 to unchanged.

The London morning fixing was the fourth successive record.

Gold firmed slightly throughout the morning as the dollar weakened on opening levels. It opened at $251/$251,65, but immediately before the fix, large buying orders out of Switzerland forced operators to short cover. Selling appeared at the start of the fixing which took the price down to around $252,50, but short coverers again moved in and the price strengthened.

In Zurich, gold rose to a record $253,50/$254,50 shortly after midday after opening at $250/$250,75 and remaining close to this level for most of the morning. On Wednesday, gold closed at $251,25/$252,25 after rising to a record $252/$253 in the afternoon.

In late trading in Zurich gold fell to its opening level.

The price increase in the morning was helped by gold's strength at the IMF auction in Washington.

The jump at midday may also have been due to the fact that many banks stop trading at that time to consolidate their positions. Extraordinary price swings are easily possible in the remaining thin market.

Dealers attributed the decline in the afternoon to the stabilisation of the dollar, profit-taking and the quiet opening of New York Commodities Exchange.

Dealers say the price can be expected to weaken further on profit-taking in the next few days unless Iran causes a major disturbance.

Volume was described as fairly substantial, but lower than on Wednesday.

Renewed Swiss buying in the free platinum market took prices to peaks of $425,50 at the morning fixing in London — a rise of $7,50 from Wednesday afternoon's levels.

Swiss demand pushed prices sharply higher following a steady opening. Main factors fuelling the market's strength continued to be the situation in Iran, weakness of the dollar and strength of gold.

The tone was helped by steady overnight buying from Japan.

Although British residents are not allowed to hold gold, they have been trying to hedge against inflation and industrial troubles by buying domestic Krugerrands. The price of the coin has jumped $8 since Wednesday to $292.

Sun. Express 11/2/79 79

Gold only for the bold

THE pundits are bullish about the outlook for both gold bullion and gold shares, but caution investors with weak constitutions to keep out — for the bullion price will fluctuate violently in coming months.

Experts agree that the price will exceed $240 by the end of the year — most predict that the average for the year will be $240 — and the consensus is that the gold price could hit $300 during the year.

As Lion Securities' Johan Zwart said: "It will certainly close the year above its present level, but I can't give you a precise forecast. I expect there to be temptestuous fluctuations in the gold price this year and so forecast that it could be anywhere between $270 and $350 at the end of the year."

The gold price will remain strong, according to experts, because of uncertainties which continue to surround the world's financial markets. Not only that, there is a new factor in the market — good demand for gold is coming from the Middle East.

Said Zwart: "There is now a wider market for bullion. New people have been introduced to the bullion market — people who will stay with gold."

From London, stockbrokers James Capel also note substantial Middle East demand for bullion. "It also appears that there has been buying from Europe, the Far East and the US futures markets.

"In contrast to 1978, when the gold price mainly reflected the decline in the dollar, there has recently been a widespread move into gold and the other precious metals, from investors holding the stronger currencies such as Swiss Francs, D-marks and yen.

"The price has recorded a genuine rise in terms of these currencies as well as the dollar."

A local stockbroker commented: "The situation today is similar to that at the end of 1973 during the oil crisis. The quadrupling of oil prices in 1974 pushed up the gold price and created a bull market for gold shares.

"In April the shares had a setback, but recovered and had a good run to the end of the year. I believe the Iranian situation to be more serious than the 1973/74 oil crisis, and I expect it will have a consequent spin-off for gold."

TABLE 13: OUTPUT, EMPLOYMENT AND PRODUCTIVITY ON THE CHROME MINES: 1946-1977

Year	Output (1000 metric tons)	Employment	Output (tons) per worker
1946	212	2 391	89
1947	373	3 680	101
1948	413	3 603	115
1949	404	3 954	102
1950	496	3 514	141
1951	545	4 017	136
1952	580	4 151	140
1953	725	5 437	133
1954	641	5 234	123
1955	542	3 735	145
1956	627	3 730	168
1957	666	4 153	160
1958	632	3 738	169
1959	680	2 215	307
1960	772	3 255	237
1961	898	3 189	282
1962	913	3 324	275
1963	792	2 917	272
1964	[illegible]	[illegible]	[illegible]
1965	[illegible]	[illegible]	[illegible]
1966	[illegible]	[illegible]	[illegible]
1967	[illegible]	[illegible]	[illegible]
1968	[illegible]	[illegible]	[illegible]
1969	[illegible]	[illegible]	[illegible]
1970	[illegible]	[illegible]	[illegible]
1971	[illegible]	[illegible]	[illegible]
1972	[illegible]	[illegible]	[illegible]
1973	[illegible]	[illegible]	[illegible]
1974	[illegible]	[illegible]	[illegible]
1975	[illegible]	[illegible]	[illegible]
1976	[illegible]	[illegible]	[illegible]
1977	[illegible]	[illegible]	[illegible]

Gold options market boosts bullion

Sun. Times Bus. 11/2/79 (79)

By NEIL BEHRMANN: London

THE gold options market in Switzerland has played an important part in the spurt of bullion over the past few weeks.

Similarly to the US futures market, the gold options market, which is run by Valeurs White Weld SA in Geneva is a mechanism for highly leveraged speculation. Basically, an investor is made or broken on the option premium, which is in turn affected by the performance of gold on the physical market.

But the option market influences the physical gold market, too. According to Malcom Roback, of Valeurs White Weld, volume of options traded has been running at 500-million ounces a day, compared with 120-million ounces a day a year ago.

About 10 per cent of this gold is delivered, he contends. Bullion dealers, however, estimate that as much as 20 per cent of the options traded can become deliverable gold, but the amounts vary.

There is thus a distinct connection between this paper and physical market and Swiss and German bullion dealers report that Credit Suisse, which owns 50 per cent of Valeurs White Weld bought several tons of gold over the past week.

The bullion market suspects that the gold was bought to meet delivery commitments in the options market.

The volume on the US futures markets has also been immense. The open interest on Comex, the New York commodities futures exchange topped 170 000 contracts this week.

Since each contract consists of 100 ounces of gold, it means that the paper gold market in New York alone consisted to 17-million ounces of gold in uncovered positions. Swiss and German bullion dealers suspect that the majority of the speculators are long of this market and are potential sellers.

But this, of course, does not mean that the gold price and other metals will not continue their amazing run.

David Hargreaves, metals consultant to J H Rayner of the London Metals Exchange, says: "A touch of market mania now surrounds metals. None of the known factors — US monetary balances, falling stockpiles, economic indicators, strikes, wars, investment incentives and the like have any relevence just now. We are in the hands of the market."

appendix B

ON FEMINISM - THE WOMEN'S MOVEMENT REPLY

As a group of U,C.T. Feminists we are appalled by the naivety of the S.S.D. editors' in including the pretentious study entitled "A Critique of Bourgeois Feminism" in their latest newsletter. We would like to point out some of the combined illogicalities, misconceptions and muddled thinking that appear in their article.

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In correlating such diverse statements as the "fundamental contradiction that exists between men and women" (which contradiction is never examined in detail) and saying that "the contradictions that exist between social classes then assumes secondary importance (if at all)" the writer fails to realise that he/she moves from stating a basic feminist tenet to attack one particular feminist stance - radical feminism (not to be confused with Marxist, Socialist, Liberal or Lesbian Feminism) which is only one of the numerous positions held by U.C.T. women within the 'umbrella' organization of the movement. This article is a misinformed attempt to stereotype the U.C.T. Women's Movement into an homogenous radical-feminist group and attack its policies accordingly.

By a process of flawed illogical reasoning several false conclusions are deduced, the most erroneous of which concerns "conscious... position in any ... -ness-raising" as an ... the tedious catalog... basic fact that "wome... nal and private problem... on in awareness from ... consciousness ... xample of this is the ... ese peasant women,

The cultural c... basis of their oppres... real contradictions ... ession as discriminati... s essentially exp... s' psycho-sexual f... orms on the other su... profound unders... nd reinforce each ...

The mock-warning ... liberation is n... no cognisance of ... ows century have wom... equality, simult...

Sun. Trib. 11/2/79

(79)

Gold price could weaken shortly

By TONY HUDSON Finance Editor

THE SHARP upward lunge in the price of gold that shook dealers throughout the world this week will probably reverse itself within the next weeks or so.

Economists say that the rise in price was too rapid and a downward technical correction will probably take place shortly.

No one was prepared to risk an estimate of just how far down the price would move, but the feeling was that it would probably revert back to a level of around 230 dollars an ounce.

The main area of uncertainty remains the Iranian situation, which if allowed to continue in its present patterns, could well have an adverse effect on all major economies.

A spokesman for a Swiss bank said this week: 'There is tremendous demand from the Middle East. They are not covering short positions but are buying in expectations of a price of 270 dollars to 300 dollars an ounce.

"The only buyers at these levels are in the Middle East and we believe the Russians are now showing some interest in selling so the gold price could be in for a sharp reaction.

"Certainly if the Middle Eastern buyers pull out we could expect to see the price collapse."

Meanwhile, in London, rumours that the South African Government has concluded a secret deal to swop oil for gold continue unabated despite a denial by the Reserve Bank that such a scheme is not even on the cards.

The non Opec-member, Skeikdom of Oman, is tied in tightly with the rumours because of its unsuccessful bid for one million ounces of gold at the last US auction.

Dealers say the stories could well be feasible because spot oil is very tight, especially for sensitive destinations such as South Africa and that a deal with Oman would make a lot of sense.

13.

Star 13/2/79

(79)

'Indigestion might' cause a drop in price of gold

By Harold Fridjhon

The demand for gold must remain strong, although in the near term it would be foolish to ignore the possibility of a downturn in the gold price if the market suffers indigestion from official releases in the first half of 1979, says an editorial in the Mining Journal's quarterly review of SA gold shares.

Gold is still dominated by the fortunes of the dollar, the weakness of which has not only increased the price in dollar terms but has also stimulated "a significant increase in demand."

During the final quarter of 1978 the market absorbed 3,96m ounces over and above newly mined supplies at rising prices.

In practice, says the Journal, improved demand and higher prices have not been entirely the result of the dollar's weakness. The situation in Iran, failure to sign an Israeli-Egyptian peace accord, and tension in South-east Asia must also affect gold demand.

But shortterm in the next six months there will be 11,8m ounces of "official" gold overhanging the market — almost equal to South Africa's likely output for the period.

The market's ability to absorb gold, last quarter was helped by the withdrawal of Russian offerings and the diversion of bullion into Krugerrands. The unstated question is: what will Russia do this year?

The Mining Journal does not appear to be impressed with the philosophy behind the European Monetary System which would seem to have a built-in inflationary force. And that, of course, could underscore the long term importance of gold.

Another factor of the EMS which would be to gold's advantage is that it will reactivate gold's monetary role; the EEC countries joining the EMS must deposit 20 percent of their foreign exchange and gold reserves with the European Monetary Co-operation Fund.

Moving from gold to gold shares, the Mining Journal says the behaviour of the market from mid-1978 has been disappointing. Measured by the standards of the 1973/74 bull market this is certainly so for the overseas investor.

Possible reasons for the sluggish market are: the escalation of working costs, continuing political factors and the diversion of interest to the futures markets in the US, which did not operate throughout 1974 and which now handle a tremendous volume of deals on a margin basis.

Unit trusts

Old Mutual	211,37 210.15	210,19 195,36	5,14 4,67
NGF	129,95 129.95	120,71 120,71	5,51 5.54
Sage	227 48 225,97	210,19 208.80	5,14 5,18
UAL	220 04 218,85	206,68 205,57	5,17 5.20
Sats	95,00 95,00	88,20 88.20	5,55 5 58
Sanlam	217,22 217.22	201,75 201,75	5,36 5,93
Trust	64,21 64,21	59,69 59 69	5,90 5,92
Santam	93,63 93,65	87,27 87,28	6,07 6.10
Syfrets	64,91 64,65	60,88 60,62	6,59 6,62
Guardbank	189,17 188,38	177,16 176,41	5,70 5,73
Standard	141,54 140,47	133,65 133,18	5,75 5,79
Std Income	105,38 105,46	102,74 102,74	9,72 9.72

Light figures denote previous price.

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Around the town are wells of sweet water from which they drink and ... The royal town called ... from the Muslim town, ... the area between the two towns is covered with houses. Their houses are made of stone and acacia wood. The king has a palace and a number of domed dwellings, all surrounded by a wall-like enclosure. In the king's town, not far from the royal court, is a mosque ... Around the town are domed huts and groves where live the sorcerers, the men in charge of their religious cult. In these are also their idols and the tombs of their kings. These groves are guarded and no one can enter them nor know what is there. ... if any one is imprisoned in them, no more is ever heard of him... Their religion is paganism and the worship of idols. When the king dies, they build a large dome of wood over the burial place, then they bring him on a bed lightly covered, and put him inside the dome. At his side they put his ornaments, his arms and the vessels from which he used to eat and drink, filled with food and beverages. They bring in those men who used to serve his food and drink. Then they close the door of the dome and cover it with mats and other materials. People gather and pile earth over it until it becomes like a large mound then they dig a ditch round it so that it can be

2/...

Ergo's gold recovery beset by technical problems

14/2/79

79

By ADAM PAYNE

ERGO shares have dropped 147c from 682c on January 22 to 535c yesterday, the fall influenced largely by the fact that the plant has not yet achieved the recovery efficiencies set out in the prospectus, particularly on the gold side.

This fall in the share price occurred in a bull market when other gold/uranium shares were rising. The key to a recovery must be an improvement in technical efficiencies so that profits from the higher gold price will be realised, thus making the shares a buy at 535c instead of a doubtful buy.

The uranium side has improved considerably and is now reported to be almost at full efficiency.

One thing is certain: the prospectus projection of a 25c dividend for the yaer to March must be realised. Analysts are predicting distributable earnings of 45c after retentions.

Because the key to Ergo's success — apart from the gold price — is on the technical side, it is worth examining this side, particularly gold recovery.

Gold production in the December quarter was 1 135kg against a target in terms of the prospectus of 1 750kg.

The treatment rate by the plant was lower in the December quarter than the target of 1 500 000 tons a month and the recovery rate on the gold side was below expectations.

Anglo American, which manages Ergo, makes no comment beyond the statement in its quarterly report that progress has been made in overcoming engineering and operational problems which so far have prevented attainment of gold and acid production targets.

Uranium production at 47 923kg in the quarter was averaging 171 tons a year compared with the target of 200 tons.

I am told — not by Anglo American — that the plant has a gold head grade of 0,54g/t and about 45% of that is being recovered in the pyrite. Anglo expected about 54%, according to the prospectus.

Before the project was ... opinions among metallurgists on methods used at the Joint Metallurgical Scheme in the Free State and at Ergo. According to a symposium late in 1977, the JMS expected recovery efficiencies of 85% pyrite, 51% gold and 32% uranium, but actual recoveries were 70% pyrite, 38% gold and 20% uranium.

One view expressed last year was that a high recovery of pyrite, gold and uranium could only be achieved by a production of a concentrate which was 20% by mass of the feed, whereas Ergo had produced significantly less than 20%.

Looking at the situation from an investor's viewpoint, a top mining house metallurgist, not connected with Anglo American Corporation, said he was confident Ergo would solve its problems.

He did not think any necessary changes would be unduly expensive. Ergo might reshuffle some of the major equipment.

"The general assessment is that they have a problem and more than one potential solution is possible. One tends to forget that the old metallurgical process of the average gold mine has evolved over 90 years. Now Ergo has a process that has been evolving for little more than two years and it is not surprising that it is facing some difficulties.

"It is not like the old process for cyaniding gold. The new thing is that they get all the gold from the pyrite."

No. 284 16 Februarie 1979

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekendgemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 31 Januarie 1979 teen R183,28 per ons suiwer goud gewaardeer het.

No. 284 GG 6303 79 16 February 1979

SOUTH AFRICAN RESERVE BANK ACT, 1944

DETERMINATION OF STATUTORY PRICE OF GOLD

It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 31 January 1979, all gold of the South African Reserve Bank at R183,28 per fine ounce of gold.

UNIVERSITY OF CAPE TOWN
FACULTY OF ARTS

PRE-UNIVERSITY COURSE : 17 - 19 FEBRUARY 1979

INTRODUCTION:

Enclosed is the programme of the Pre-University Course. The Course aims to assist new students with the transition from school to university, and to help them plan their first year of study as fully as possible. The various sections and activities of the Course are outlined below.

The Faculty of Arts is offering lectures dealing with the content of the courses offered in the Faculty. Students will be able to attend lectures in those subjects of interest to them. This will assist them to make informed decisions as regards their curriculum. In addition, four lectures will be given on Study Methods, and lectures will also be given on Librarianship, Education and Law.

Attendance is strongly recommended because the course forms an integral part of the first year registration programme. Attendance is also recommended for those students in other faculties who intend including Arts courses in their curriculum.

The Pre-University Course will thus consist of the following:-

1. Information lectures on courses offered (Saturday 17th and Monday 19th February).

2. Student Workshops (Sunday 18th February). Senior students will be available for consultation and peer advice from 10.a.m. to 12 noon.

3. Study Methods lectures (Wednesday 21st and Thursday 22nd February).

No. 284 — 16 Februarie 1979

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

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79 SUNDAY TIMES, Business Times, March 18, 1979

Gold gains a new foothold

By CLIFFORD GERMAN: London

GOLD took another step back towards the centre of the international monetary system this week when central bank governors meeting in Basle announced that gold metal assigned to the management fund of the European monetary system would be valued around market rates, with no discounts.

The initial values will be fixed near the end of March after the European monetary system has been in operation for 10 working days.

The decision was apparently taken last December when France arguing for a full valuation for gold assigned to the central fund succeeded in browbeating the Germans, who argued that it should be valued at a discount from market rates.

Participating countries will assign title to 20 per cent of their gold and 20 per cent of their other reserves, in return for European currency units (Ecus), the new name for a basket of common market currencies.

The swaps can be reversed every three months and the gold and currencies can be recalled. Meanwhile, the member countries retain full control over the gold they assign. It will still not be freely marketed, and is unlikely to be "used" in practice.

But given its full value, it will add to the usable liquidity available in the European central banking system.

A high level semantic debate is now taking place between economists and central bankers who have supported attempts to phase gold out of the world monetary system over the past 15 years and those who insist it has virtues which make it indispensable as well as desirable as a reserve asset.

The issue is whether gold's role as a reserve asset has been enhanced in the process. But bullion market men are in no doubt that gold has won another victory in its fight for recognition.

Healthy gains on the gold board

STAR 19/3/79

By Stephen Suckley

The firmer bullion price led to some useful gains across the golds board on Diagonal Street today but trading was quiet with turnover fairly thin.

Gains in heavyweights were between 50 and 70c, with rises in marginal, speculative and medium-priced shares between 3c and 30c.

Af Lease was uncertain following news of the development plans with Vaal Reef and fell 70c.

The firmer trend in golds spilled over into mining houses and holdings. Amgold put on 25c following results with rises also seen in Anglos, Union Corp and General Mining.

De Beers shed 5c, furthering the recent downward trend but Anamint was up 25c on a buyer's price of 9 275c.

Coal shares, after last week's firmer trend, were a mixed bag, while both asbestos shares gained between 3c and 5c. Other metals and minerals showed a steady trend in quiet and featureless trade.

The industrial market was quiet ahead of the forthcoming Budget with no apparent impact seen following the cut in the bank rate. Rhodesian Cables was a firm spot in the engineering sector gaining 25c. In afternoon trade 81 shares were in higher ground while 28 fell back.

Sellers move in, golds retreat

99

Star 21/3/79

By Colin Campbell

The London gold price dipped temporarily below the 240 dollar mark again today in reaction to a disappointing US Treasury gold auction, which in turn unsettled gold shares on the JSE.

Early falls were seen in most gold shares, though the dips were somewhat stabilised by the easier financial rand.

Only one gold share was marked higher — West Drie, which put on 60c.

Softer golds knocked back Amgold which shed 70c in an otherwise dull mining holding section.

De Beers was 5c weaker at 860c.

Today's further lowering of the prime overdraft rate and further reduction in bank deposit rates (with the exception of the ordinary savings account) should have put some life into industrials. But with the Budget now one week off, investors are adopting a wait-and-see attitude.

Midafternoon, 54 shares were down on previous levels and 33 higher.

Commodities

	Mar 20	Mar 19
Gold ($/oz)		
London	243,125	242,75
Zurich . . .	242,625	242,875
Silver (p/oz)		
Cash	360,85	362,80
3 months .	370,25	372,20
Copper (£/ton)		
Cash	998,00	1001,00
3 months .	1015,00	1017,00
Tin (£/ton)		
Cash	7440,00	7460,00
3 months .	73[illegible]0,00	7370,00
Lead (£/ton)		
Cash	557,00	573,00
Zinc (£/ton)		
Cash	386,50	389,00
Platinum ($/oz)		
Official . . .	32[illegible],00	325,00
Free	398,50	399,50
Sugar (£/ton)		
London . . .	104,00	104,00

Market easily absorbing gold auctions

79

22/3/79 CT

JOHANNESBURG. — The combined sales of the IMF and the US Treasury, including the IMF sales to developing countries, amounted to 11,3 million ounces or 353 tons during 1978. The market has absorbed all of this gold, equivalent to half of SA's production, with realative ease and the first few auctions of 1979 have shown no evidence of the demand abating.

The chairmen of Anglo American Corporation's Transvaal gold mines, Mr H F Oppenheimer, Mr D A Etheredge, and Mr G Langton, make this comment in their annual reviews published today.

"Overall," they say, "1978 ws a most satisfactory year for gold. During 1979 the supply to the market will probably be considerably larger than last year although this depends on the sales policy of the US Treasury. Nevertheless, it is anticipated that in the current year the average price will be significantly above $200 an ounce but there may continue to be major fluctuations owing to current political and economic developments.

The chairmen say the strong interest shown in gold during the year is also reflected in the record volume of Kruger rand sales. Six million coins amounting to 187 tons of gold were sold during 1978, absorbing over a quarter of SA's production, compared with 3,3 million coins in 1977.

Approximately 370 000 coins were sold by the industry in the first two months of 1979 but it s anticipated that demand will trengthen again in the second quarter.

Canada intends tc start production of a one-ounce gold coin later this year and the United States will begin marketing gold 'art medallions" in both one-ounce and half-ounce sizes towards the end of the year.

"While these new coins or medallions will certainly influence the Kruger rand market sales of the SA coin are expected to continue as an important outlet for the SA production.

"In any event, the gold sold in coinage form, whether Kruger rands or not, can only have a beneficial impact by increasing the amount of gold held by the general public and reducing the supply of bullion to the market."

There can be no doubt, continue the chairmen, that the market promotion activities of International Gold Corporation had a marked effect on gold consumption in the major jewellery manufacturing centres in Europe. Intergold is also responsible for the marketing of Kruger rand and certain new trial marketing campaigns, particularly in the US, have indicated an enormous untapped potential.

Intergold is now expanding its operations in the US and in Hong Kong where it has recently opened an office to expand the market in the Far East.

During 1978 the price of gold reached a high of nearly $244 an ounce in October. The average market price for the year increased to $193 compared with $148 during 1977.

A major contribution to this advance was the continued weakness of the US dollar, the US Government's apparent inability to curtail inflation and the lack of a substantive energy policy.

Since November gold has followed a rising trend to the record price levels in the region of $250. This latter recovery has been generated largely by speculative demand following the recent unrest in Iran and south-east Asia and the latest increase in oil prices, as well as by fears in some quarters that in spite of support the dollar may continue to weaken.

Meanwhile, European central bankers have agreed that the gold used to back the European currency unit will be valued at a market-related price, a move which will further strengthen gold's position as a monetary asset.

"Another factor", say the chairmen, "has been the continued substantial industrial demand for gold.

Industrial demand has been helped by the fact that while the price has risen strongly in dollar terms this movement has been less pronounced in the case of many other currencies.

"An amendment to the articles of the IMF enabled the South African Government to alter its gold payment procedures with the result that the mines now receive a market-related price for their gold immediately it is sold to the South African Reserve Bank. In addition, the mines received a one-off boost to revenue in the June quarter arising from the final reconciliation of account between the Reserve Bank and the mines on moving over to the new system of payment.

The IMF continues to be a large supplier to the market with its monthly auctions. The quantity on offer was reduced in June 1978 to 470 000 ounces, the balance being reserves for those developing countries who wished to take their share of the auction profits in gold rather than paper money.

The developing countries have elected the gold alternative to a far greater extent than was foreseen and it now appears that the 55 000 ounces a month set aside for these countries will be inadequate.

The chairmen feel there is now some evidence to indicate a growing international awareness that further delays in the construction of not only nuclear, but also conventional, power stations cannot be allowed without industrial growth generally being inhibited.

"It is still too early to detect a significant market response to the OPEC decision to increase the price of oil by nearly 15 percent or to the political unrest in Iran and its resultant cut back of production. Such factors, however, might be expected to provide some additional stimulus to nuclear energy programmes."

The uranium price rose more than sixfold between 1973 and 1977, but did not improve in real terms in 1978. There is little indication of a further significant increase in the near future, bearing in mind the possible effects of new production primarily from Australia and Canada and slippage in nuclear energy programmes in a number of countries.

This notwithstanding, the primary objective to electric utilities is not so much to obtain uranium in the cheapest market but to ensure security of uranium supply, particularly as the cost of the uranium feed constitutes a relatively minor part of total nuclear energy generation and distribution costs.

Undoubtedly, therefore, SA's reputation for reliability and lack of governmental inference in its uranium marketing will enable the local industry to maintain its important position in the world market. — Sapa

Firmer tone in gold shares

(79)

STAR 22/3/79

By Stephen Suckley

The upward movement in the bullion price made for further gains on the Diagonal Street gold board in late morning trade.

Dealings, however, remained quiet but there is scope for further gains during the rest of the day, according to brokers.

West Dries gained 75c while Randfontein rose 50c. Other shares gained between 5c and 40c. Mining housesand holdings were firmer in line with producers with gains ranging from 5c to 25c. De Beers gained 17c on both local and overseas demand.

Other metals and minerals were quietly steady in featureless trade.

Small either way movements were seen in the industrial sector but overall there was a steadier trend. Some small institutional demand was evident. De Beers industrial was a weaker spot declining 25c.

During afternoon trade 75 shares were higher and 45 were lower.

DEPARTEMENT VAN FINANSIES

No. 537 23 Maart 1979

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekendgemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 28 Februarie 1979 teen R190,13 per ons suiwer goud gewaardeer het.

DEPARTMENT OF FINANCE

No. 537 79 GG 6363 23 March 1979

SOUTH AFRICAN RESERVE BANK ACT, 1944

DETERMINATION OF STATUTORY PRICE OF GOLD

It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 28 February 1979, all gold of the South African Reserve Bank at R190,13 per fine ounce of gold.

Star BUSINESS

As bullion heads towards $250

STAR 27/3/79

Russia poised to resume selling

79

By John Cavill

LONDON — Reports from the Geneva meeting of the Organisation of Petroleum Exporting Countries (Opec) that an immediate oil price increase is likely to send the gold price higher in London and New York yesterday.

In New York, the metal gained about four dollars from Friday's close to finish at 246,00/40 dollars per ounce, dealers said.

In London, while the dollar was only slightly weaker against the hard currencies, gold rose by 2,635 dollars to 246,35 dollars.

Bullion dealers said that while gold had moved out of its recent trading range around 240 dollars, it faced a serious psychological barrier at 250 dollars an ounce — the price at which it is believed Russian selling could be resumed as it was in February.

"If it breaks 250 dollars because of panicky reaction, the price could go anywhere and become very unstable," said one leading bullion house.

The price began climbing after an Iranian official said in Geneva that his country and three other Opec members, Iraq, Algeria and Libya, favoured an increase in the basic price of crude oil from April 1 to 17,20 dollars a barrel, instead of the scheduled 13,84 dollars increase.

Analysts said such an increase would bring the April price to about 35 percent above the levels on December 31 last year.

In Zurich, Europe's main bullion centre, gold closed at 246,875 dollars a troy ounce, exactly four dollars ahead of Friday's closing, and its highest price for nearly three weeks.

Opec members provide 60 percent of the United States' oil requirements. Oil price hikes also weaken the dollar as the currency of international oil deals. Gold, the traditional hedge in times of monetary uncertainty, normally rises when the dollar is threatened.

● US gold futures opened sharply higher, up as much as 6,40 dollars per ounce. Dealers said the much higher than expected opening followed continued strength in spot bullion in London, and dollar weakness, including Iran's demand for a 20 percent oil price rise.

● The rand yesterday closed higher against the dollar on the day at between 1,1830/40 and 1,1835/45 compared with its opening around 1,1824/34 and Friday's closing around 1,1847/57.

The Reserve Bank's spot quote, which was adjusted downwards to 1,1820/40 from 1,1840/60 previously was unchanged at the close. There was also no change in the two percent forward discount.

The adjustment was unexpected and dealers could give no possible grounds for it. They said the close reflected a general oversupply of dollars.

Bankers held after granting cheap loans

Own Correspondent

ROME — All central bank activities, except foreign exchange dealings, were halted for the first time in the history of the Bank of Italy yesterday.

This was the result of an unprecedented strike by Bank of Italy staff in protest against the arrest at the weekend of Mr Mario Sarcinelli, a joint deputy director of the central bank, and the charges made against Dr Paolo Baffi, the Governor, in connection with the granting of cheap loans to one of Italy's major chemical groups.

The Italian Banking Association, ABI, has called an urgent meeting today to review the situation.

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In his annual review, Keys said that the bottom of the market had been reached, although no great improvement was anticipated this year. The decision to proceed with Sasol 3 might augur well for Asea, as for other electrical and construction companies, as will the joint venture with IDC.

There might be scope for further cap issues, while the planned doubling of authorised capital to 20m shares also presages growth through acquisitions. Keys is confident there is increasing room for expansion in the heavy electrical industry.

At 370c, yielding 5,9%, about average for the electronics/electrical sector, the share discounts expectations of near-term profit improvement.

Asea's conservative financial policy and steadily rising profit record should stand shareholders in good stead when the market in the shares is widened through the cap issue. *Des Kilalea*

GOLD REPORTS

Bullion spurs

(79) FM 30/3/79

Gold's period of consolidation seems to be coming to an end although bullion weakened marginally as the market took the view that Opec had been relatively kind in its oil price increases.

Higher-grade producers have used the last couple of years of relatively high bullion to inaugurate major capex programmes, with the result that by the 1978 December quarter the rate of unit cost increases was showing signs of a slowdown. The trend will probably continue at least for the next couple of quarters with adequate reserves of easily accessible lower grade ore now readily available.

Marginal producers, on the other hand, could be set for a period of relatively fast-rising unit costs. Those that cut back development and mill throughput to maintain earnings through selective mining now have a backlog of development to complete as they move towards increased mill throughput.

Vaal Reefs: The annual report gives no details of the agreement with Afrikander Lease, especially on the method of funding planned capex at that mine. On its own operations, Vaal Reefs plans capex of R80m this year of which R58m earmarked for the South Lease area will be partly financed through borrowings.

Minor grade problems partly associated with seismic activity now appear to have been overcome with the mine planning to increase gold recovery this year to 8,8 g/t (1978: 8,6 g/t) on a marginally lower mill throughput of 7,6 Mt (7,8 Mt). Taking into account likely uranium profit and royalties to Southvaal, it is estimated that bullion averaging $214 will be needed for a repeat of 1978's record profit.

If the bulk of capex at Afrikander Lease is funded with consumer loans, maintenance of current gold prices should mean Vaal Reefs has the potential to distribute at least 350c this year.

Western Deep: With R77m capex planned this year, of which R36,7m is earmarked for the new uranium plant, dividends will depend largely on the level of short and medium-term borrowings raised. Chairman Gerald Langton gives no indication of likely levels in his review. The new uranium plant is now expected to come on stream early in 1981, six months ahead of the original schedule. The project's profitability depends very much on how closely contractual uranium sales prices follow the spot price, but returns hardly appear attractive.

Capex to maintain production this year is estimated at R20m, with no let up in sight.

Planned mill throughput this year of 3,15 Mt is marginally lower than last year's 3,22 Mt and though recovery is planned at 14,3 g/t (14,2 g/t) a marginal drop in gold production is expected. Though planned uranium oxide production of 181 t is lower than 1978's 183,4 t, no further purchases at spot prices to make good contractual shortfalls are expected.

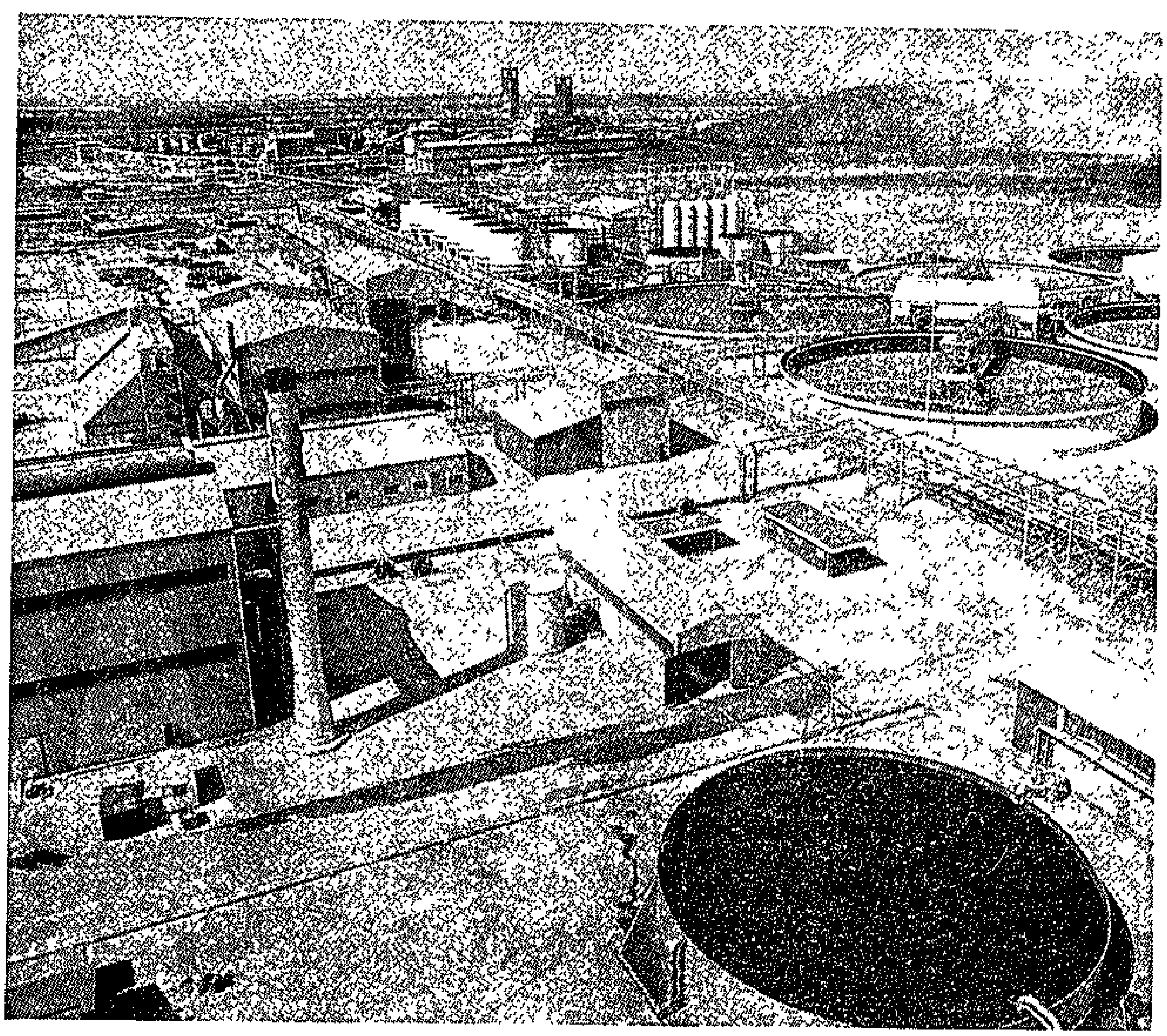
The heavy capex programme, notwithstanding any bridging finance raised, means that the mine is less attractively geared to improvements in bullion than other similar mines.

Elandsrand: With ore dilution from reef development and initial mining of sub-marginal ore, recovery grade is estimated at 6 g/t this year on a mill throughput of 1 Mt. By the second half, mill throughput is scheduled to reach the interim monthly target of 120 000 t before a steady increase to the ultimate monthly rate of 180 000 t and recovery nearing 12 g/t by the early-Eighties.

Depending on average gold prices this year, bridging financing will be needed to fund the year's estimated R70m capex. At end-December, the company had net cash available of R32,1m, so short-term borrowing requirements this year will probably amount to around R20m to be repaid next year.

SA Land: Until the next set of drilling results from the Withok area are published, it is impossible to determine Sallies' prospects. Cash balances are sufficient to fund a steady drilling programme for the next two years, so profits from the on-going dump re-treatment programme should be distributed in full.

East Drie: In line with original plans, recovery grade will fall further this year though higher mill throughput of 2,4 Mt (1978: 2,3 Mt) should mean that gold production is maintained. Much depends on the proportion of ore to be drawn from the Carbon Leader reef starting mid-year. Average development grades on this reef in 1978 were 7,7 g/t and 878 cm g/t, compared with VCR results averaging 19,1 g/t and 3 457 cm g/t.



Vaal Reefs' uranium plant . . . nucleus of earnings

No capex let-up

Capex this year is estimated at R23m. At current gold prices, this indicates scope for total dividends of around 175c and little need to retain earnings in anticipation of future capex. However, there seems little possibility of capex declining meaningfully until the early to mid-Eighties with sinking of the No 5 shaft complex now slated to start within three years.

Deelkraal: At the time of the company's flotation it was estimated that the mine's upper five levels would be mined selectively starting in 1980 at below-average gold recovery grades. Now that shaft sinking has progressed ahead of schedule, development on all the 10 levels down to 21 level should be under way by end-1979. It means that the higher grade ore disclosed by drilling from 19 level down should be available for mining by mid-1980, with milling at a planned monthly rate of 120 000 t by the end of that year.

Durban Deep: With higher gold prices the mine has increased capex earmarked for development to increase ore reserves. R3,3m capex is planned this year and a like amount probable in 1980. But this should mean a transformation of the mine's life prospects, especially if bullion maintains its advance.

Providing ore is available, a steady increase in annual mill throughout to about 2,5 Mt should be possible over the next couple of years though in the interim, capex could restrain distribution.

ERPM: As with Durban Deep profits can now be optimised by increasing mill throughput by drawing on previously sub-marginal ore. Near-term, this could mean a relatively sharp advance in unit costs as development to open new blocks of ore accelerates. Capex this year is slated at R5,9m, which will restrain dividends. Even so, if current gold prices are maintained, an improvement on last year's 10c payout should be easily possible.

Grootvlei: Higher bullion is leading to a more positive view on the mine's life. Now, management appears less disturbed by rising water levels in the East Rand and basin, which could flood workings. If necessary, additional pumping facilities can be installed, indicating that mining operations could continue well into the Eighties.

Marievale: Underground operations are expected to continue until mid-1979 and milling of dump material until end-1980. No matter what happens to the gold price, it is difficult to see any material extension of these life estimates.

Jim Jones

repeat of 1978's record profit.

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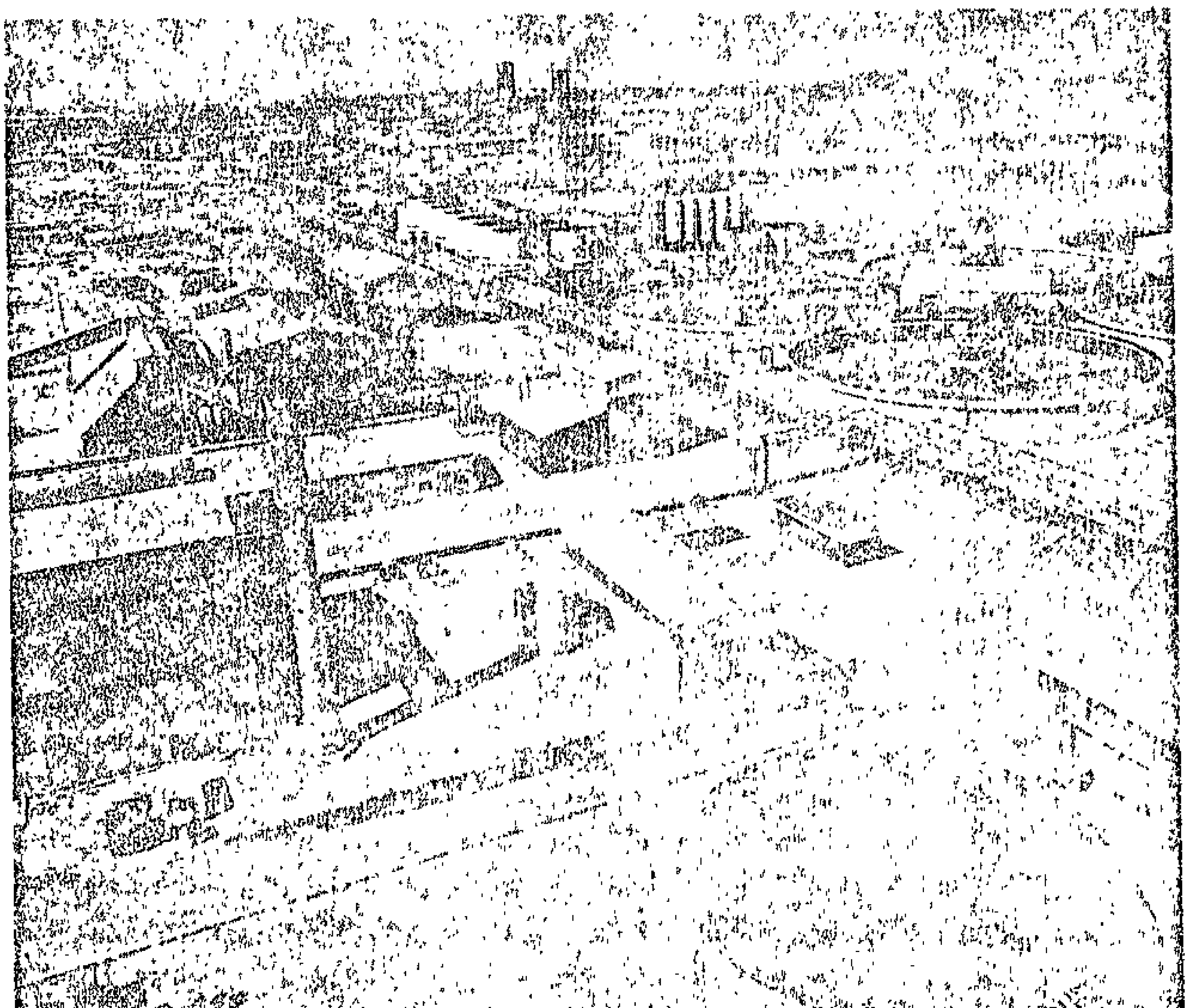

Vaal Reefs' uranium plant . . . nucleus of earnings

The heavy capex programme, notwithstanding any bridging finance raised, means that the mine is less attractively geared to improvements in bullion than other similar mines.

Elandsrand: With ore dilution from reef development and initial mining of sub-marginal ore, recovery grade is estimated at 6 g/t this year on a mill throughput of 1 Mt. By the second half, mill throughput is scheduled to reach the interim monthly target of 120 000 t before a steady increase to the ultimate monthly rate of 180 000 t and recovery nearing 12 g/t by the early-Eighties.

Depending on average gold prices this year, bridging financing will be needed to fund the year's estimated R70m capex. At end-December, the company had net cash available of R32,1m, so short-term borrowing requirements this year will probably amount to around R20m to be repaid next year.

SA Land: Until the next set of drilling results from the Withok area are published, it is impossible to determine Sallies' prospects. Cash balances are sufficient to fund a steady drilling programme for the next two years, so profits from the on-going dump re-treatment programme should be distributed in full.

East Drie: In line with original plans, recovery grade will fall further this year though higher mill throughput of 2,4 Mt (1978: 2,3 Mt) should mean that gold production is maintained. Much depends on the proportion of ore to be drawn from the Carbon Leader reef starting mid year. Average development grades on this reef in 1978 were 7,7 g/t and 878 cm g/t, compared with VCR results averaging 19,1 g/t and 3 457 cm g/t.

No capex let-up

Capex this year is estimated at R23m. At current gold prices, this indicates scope for total dividends of around 175c and little need to retain earnings in anticipation of future capex. However, there seems little possibility of capex declining meaningfully until the early to mid-Eighties with sinking of the No 5 shaft complex now slated to start within three years.

Deelkraal: At the time of the company's flotation it was estimated that the mine's upper five levels would be mined selectively starting in 1980 at below-average gold recovery grades. Now that shaft sinking has progressed ahead of schedule, development on all the 10 levels down to 21 level should be under way by end-1979. It means that the higher grade ore disclosed by drilling from 19 level down should be available for mining by mid-1980, with milling at a planned monthly rate of 120 000 t by the end of that year.

Durban Deep: With higher gold prices the mine has increased capex earmarked for development to increase ore reserves. R3,3m capex is planned this year and a like amount probable in 1980. But this should mean a transformation of the mine's life prospects, especially if bullion maintains its advance.

Providing ore is available, a steady increase in annual mill throughout to about 2,5 Mt should be possible over the next couple of years though in the interim, capex could restrain distributions.

ERPM: As with Durban Deep profits can now be optimised by increasing mill throughput by drawing on previously sub-marginal ore. Near-term, this could mean a relatively sharp advance in unit costs as development to open new blocks of ore accelerates. Capex this year is slated at R5,9m, which will restrain dividends. Even so, if current gold prices are maintained, an improvement on last year's 10c payout should be easily possible.

Grootvlei: Higher bullion is leading to a more positive view on the mine's life. Now, management appears less disturbed by rising water levels in the East Rand and basin, which could flood workings. If necessary, additional pumping facilities can be installed, indicating that mining operations could continue well into the Eighties.

Marievale: Underground operations are expected to continue until mid-1979 and milling of dump material until end-1980. No matter what happens to the gold price, it is difficult to see any material extension of these life estimates.

Moffat 1/4/79

Regering swyg oor sý goudprys

79

Van DAVID MEADS

ONS ekonomiese beleidmakers is nie bereid om te sê watter gemiddelde goudprys in die raming van die staat se inkomste vir die lopende belastingjaar gebruik is nie. Maar dat hulle konserwatief was, is duidelik.

Op die Nedbank Ou Mutual-begrotingseminaar in Kaapstad het dr. Gerhard de Kock, senior vise-president van die Reserwebank en spesiale ekonomiese adviseur van die Minister van Finansies, gesê dat dit nie die gebruik is om bekend te maak op watter goudprys daar gewerk is nie.

Hy kan egter sê dat daar nie in die beplanning voorsiening gemaak is dat die goudprys sal styg nie, of dat dit op die huidige vlakke sal bly nie.

En ondanks die feit dat hulle nie op die vlakke van die huidige goudprys gewerk het nie, was dit baie duidelik dat dr. De Kock baie optimisties oor die verloop van die ekonomie oor die volgende jaar is.

Met die ekonomie nou in sy derde fase is ons nou in 'n „besonder sterk posisie", het hy gesê. Daar is die mooi oorskot op die betalingsbalans, daar is genoeg oorskot produksievermoë, ons het die arbeidsmag en die hulpbronne en kan nou vinniger vorentoe beweeg. Die klem sal dus nou uit en uit op groei val uit 'n posisie van krag, gekonsolideerde krag, het hy gesê.

Hy het ook weer dit duidelik laat blyk dat die Regering nie voornemens is om sy deel van die ekonomiese koek te vergroot nie en sê dat die stimulering dus nie met groter staatsbesteding gedoen word nie. Investering het nog nie toegeneem nie en dit gaan nie veel help om vir die private sektor te preek nie. Daarom word die verbruik eerder gestimuleer en dit sal uiteindelik so uitkring om die nodige investering moontlik te maak.

Dr. Jopie de Loor, Sekretaris van die Finansies, het dit duidelik laat blyk dat al ons ekonomiese probleme nie in een jaar opgelos sal word nie.

Werkloosheid het baie ernstige afmetinge aangeneem en die belangrikste doelwit is om vertroue terug in die ekonomie te kry.

Die beginselbesluit is geneem dat die Regering nie verder in die ekonomie betrokke moet raak nie.

Met die uitbreidinge aan Sasol II sal die staat reeds oor die volgende sewe tot agt jaar op sowat 70 persent van beleggingsfondse aanspraak maak. En 50 persent is klaar te hoog. Die toename in staatsbesteding sal dus sowat gelyk aan die inflasiekoers gehou word.

Die meeste akademici wat die seminaar bygewoon het, was dit eens dat Begroting in sy doel geslaag het. Prof. Piet Nieuwenhuizen van RAU meen dat dit 'n nuwe bedeling ingelui het en dat ons te midde van 'n nuwe strukturele verandering is.

Dit is die eerste begroting waar die Minister 'n betreklik vrye hand gehad het om 'n paar dinge te doen en hy wil hom verstout deur te sê dat die Begroting eintlik 'n baie goeie een is. Daar is nou ook baie beter koppeling tussen die fiskale en die monetêre instrument.

Prof. W. J. Venter van Potchefstroom meen dat die Minister in sy doel geslaag het, maar net soos talle ander van sy kollegas bedenkinge oor die inflasiekoers. Daar word nie net tot groter groei gestimuleer nie, maar dit kan ook kos vir inflasie wees.

Hy meen voorts dat dit baie belangrik is dat daar opnuut na ons handelsbalans gekyk sal word en vasgestel word wat die komponente van daardie balans is.

Hy sê dat ons spekulatief is met wat ons uitvoer en dat daar 'n klemverskuiwing nodig is. Steenkool is ons lewensbloed en ons moet verseker dat ons betalingsbalans gesond is. Daar moet gewaak word om korttermyn-voordele vir korttermyn-voordele op te offer.

Dr. De Loor het hier nie heeltemal met prof. Venter saamgestem nie en gesê dat ons geweldige steenkoolreserwes het. En oor inflasie is dr. De Loor ook meer optimisties en hy sê dat 'n mens die vermindering van 5 persent in die invoertoeslag nie uit die oog moet verloor nie.

Een van die sakemanne wat die seminaar bygewoon het, mnr. R. Gerber, sê dat die ingevoerde deel van die inflasie hom bekommer. Daar is by hom twyfel of die Begroting in sy doelwitte gaan slaag.

'n Ander sakeman, mnr. E.P.H. Bieber, beleggingsbestuurder van Ou Mutual, sê weer dat 'n mens nie te bekommerd oor investering moet wees nie. Kapitaalinvestering is in enige oplewing altyd ietwat agter.

Wat hom wel pla, is die feit dat die belastingtoegewings eers oor vier of vyf maande sal kan deursuurdeeg. Solank die vertroue nog nie daar is nie, sal mense nie vooruit bestee nie en weens hierdie vertragingseffek meen hy nie dat die groeikoers bereik sal kan word wat in die Begroting in die vooruitsig gestel word nie.

Gewag is ook gemaak van die groot taak wat vir die land voorlê om vir sy miljoene werk te verskaf en hoe moeilik dit voorkom, waarop mnr. Dan Benade van die Paarl gereageer het. Hy meen dat ons liewer 'n slag moet terugkyk oor wat ons in die laaste jare bereik het. En as 'n mens dit werklik besef, gaan wat voorlê nie so onmoontlik lyk nie.

247 79 55 FM 6/4/79

GOLD SHARES

Reactions to Three Mile Island

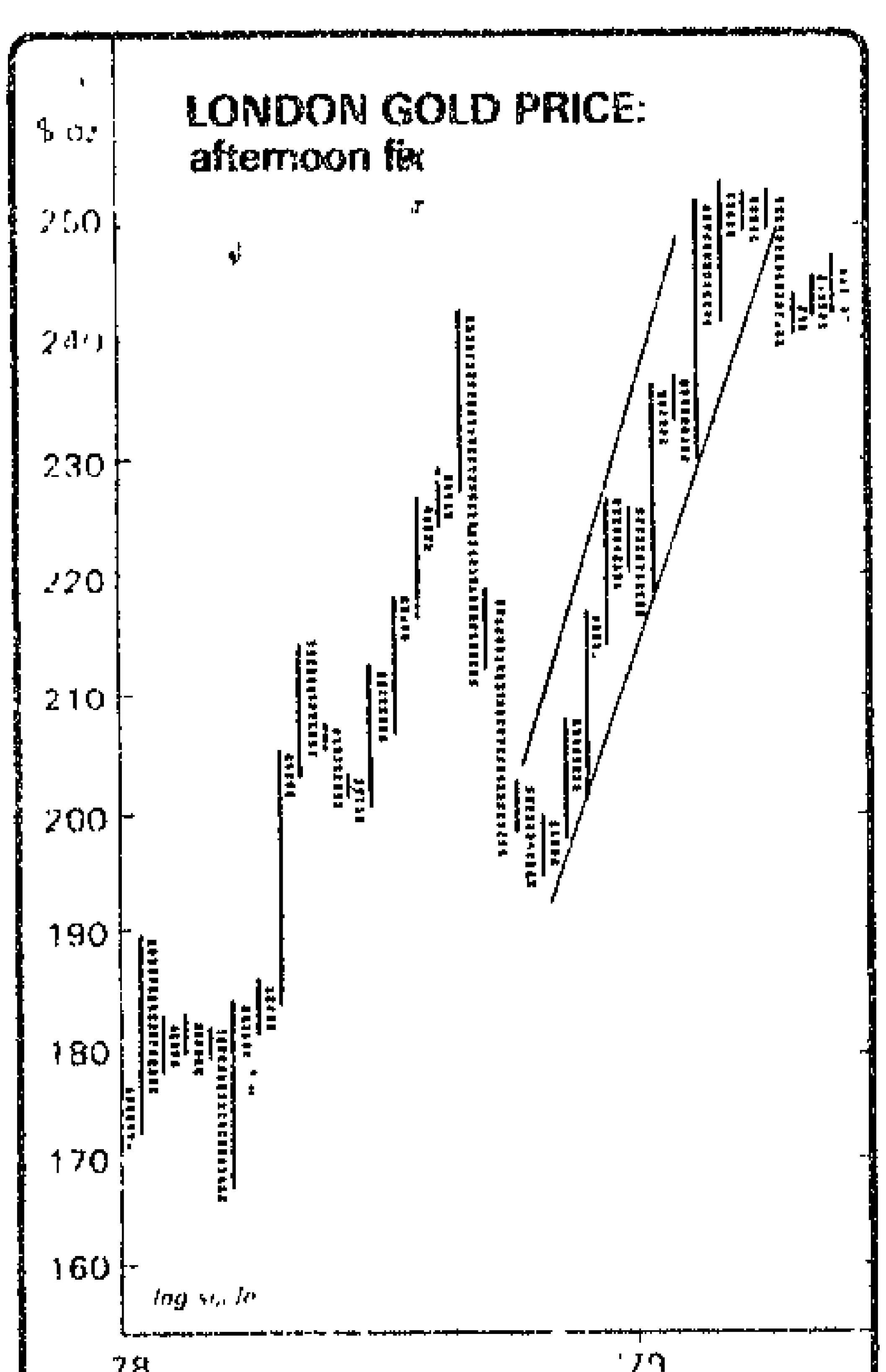
Will Three Mile Island sound the death knell of nuclear power plant construction? As far as Johannesburg is concerned, views tend to be coloured by whether investors are long or short of uranium shares.

Since last Wednesday, mines which are highly geared to uranium have taken a pounding. Afrikander Lease at one stage was 65c lower at 475c, Stilfontein hit 710c, down from 760c, while West Rand Cons shed 20c to a low of 355c.

The bear argument is easy to see. If nuclear power stations are going to belch radioactivity all over the countryside then no more will be built and uranium demand will eventually evaporate. Local mining companies with interests in uranium are already making contingency plans for just such an outcome.

But uranium bulls make some telling points.

If nuclear power station construction ceases worldwide, the developed countries will be faced with chronic power shortages within a very few years. There is simply not enough coal and oil to satisfy the world's power needs and shortages could precipitate a recession worse than anything seen in the Thirties. That, the bulls reckon, is a more ghastly alternative than the relatively minor risk of nuclear accidents.



However, Three Mile Island could easily put a stop to eventual development of breeder reactors which produce their own nuclear fuel. If so, medium-term prospects for uranium could be tremendous. Conventional reactors are uranium-hungry and relying on them alone for nuclear power would mean revising projected uranium demand in the Nineties upward by a large factor.

SA uranium producers have thus far escaped the attentions of ecologists who have succeeded in delaying mining projects in Australia and Canada by several years. If the latest news from the US fuels further delaying moves by ecologists in other producing countries, SA could become a supplier of last resort and probably at considerably higher prices than currently available on spot markets.

Spin-off for gold

Finally, say the bulls, if nuclear power plant construction does grind to a halt, the result would be rocketing oil prices, followed by gold.

Most likely, of course, is that following Three Mile Island there will be a general tightening of the already strict controls on reactor management and eventually business will resume as usual. If that is the case there seems to be little point in being panicked into selling uranium stocks.

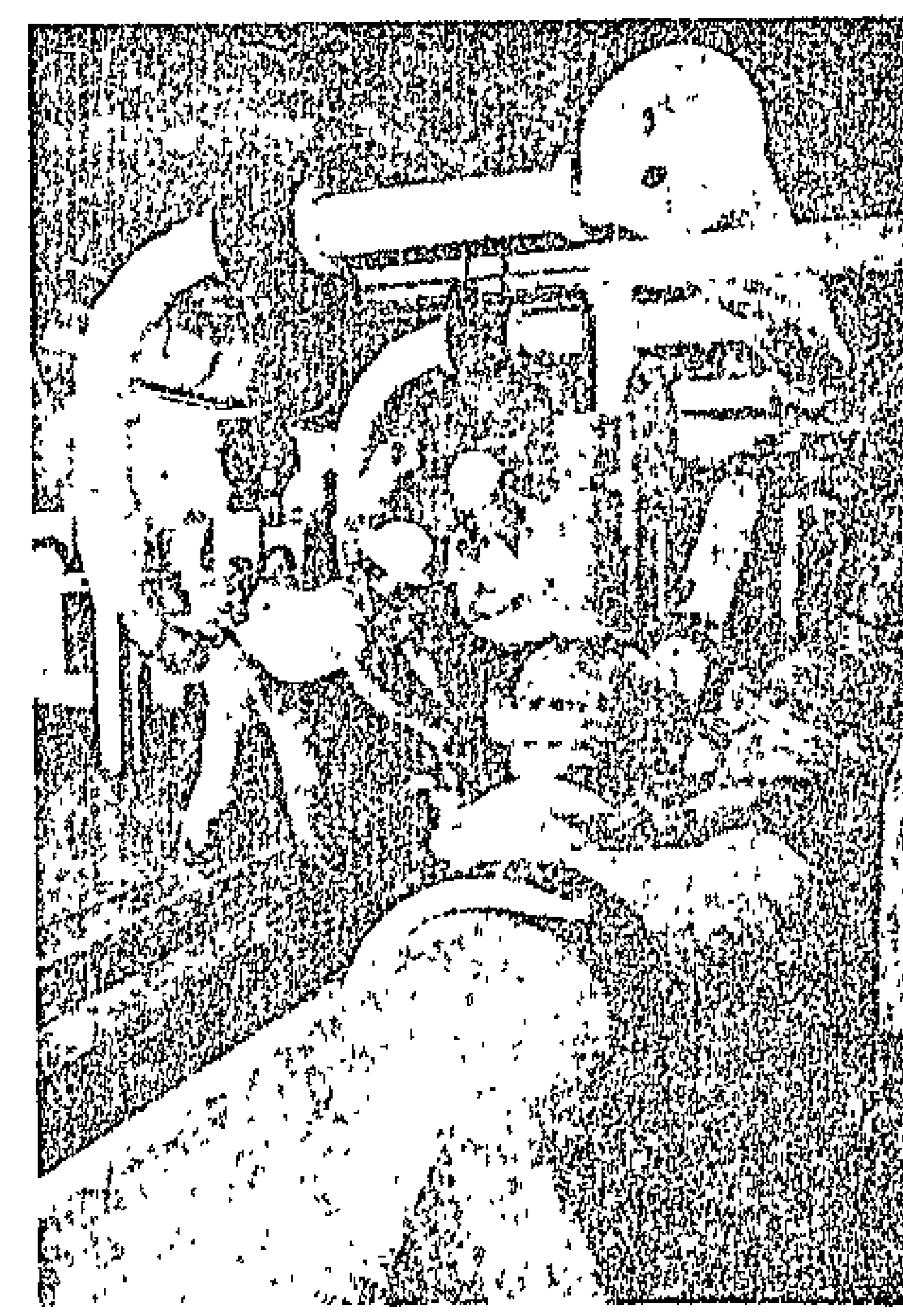
On the other hand, at least near-term, there could be other good reasons to steer clear of gold shares. Ahead of the IMF gold auction bullion was fixed marginally lower at $239,80 at Wednesday morning's London fix.

While bullion stays below $240, near term chart indications are of further drops to the $220 region over the next few weeks before a swift recovery which could carry gold to the $300 range by year end.

Four mines which have reported this week, all uranium producers or with uranium potential, drew up their annual reports before Three Mile Island. They have all valued ore reserves at a relatively conservative $200 or more gold price and are all reasonably optimistic on uranium's prospects.

Randfontein: Shareholders will get an up-to-date statement on the mine's position from chairman Bernard Smith later this month. Meantime, however, management faces a dilemma. As things are at present, the mine should exhaust its end-1978 R65m tax shield some time in the second half of this year.

Ideally, the mine would like to start establishing the proposed Cooke No 3 shaft complex before the present tax shield disappears. But events at Three Mile Island could have put a spanner in the works. Moving towards the south at Cooke section, uranium grades tend to rise and gold to fall, so if there is a reaction against uranium over the next couple of months and sales contracts are less easily agreed, a delay at Cooke No 3 is more than likely.



Dewatering Randfontein . . . more ore to the mill

Smith will be reporting in a few weeks on progress at the mine's treatment plants. I understand that remaining problems affecting uranium production at both Millsite and Cooke section are relatively minor. According to consulting engineer Mark Madeyski, Cooke plant should reach its monthly 250 000 t rated capacity within the next couple of months.

It had been planned that the Millsite gold plant would be closed or used merely for treating old dump material. Now the plan is to keep the plant operating at full capacity initially from surface stockpile ore though with increasing amounts of underground ore from Randfontein section.

At Randfontein section de-watering is proceeding according to plan with a lowering of the water level to below 26 level slated to start within the next couple of months.

Though re-establishment of operations at Randfontein section will tend to restrain dividends, there is plenty of scope for last year's 450c total payout to be at least repeated this year even with tax payments in the offing.

Western Areas: As yet Nufcor has been unable to find an interested buyer for the mine's potential uranium output. And events in Pennsylvania could make things more difficult.

Pending a sales contract, preliminary development on the uranium-bearing Middle Elsburg reefs has started but could be stopped promptly if it turns out that no uranium buyer is forthcoming. In any event, with the exception of the E9EC reef, drilling results on the Middle Elsburgs are not particularly exciting. Mining the uranium reefs would mean a cut back in production from the gold reefs, so some fairly careful calculations are needed to ensure that a switch in emphasis is worthwhile.

Approaching target

There are no signs of a slow-down in the mine's relatively heavy capex programme. R14m capex is planned this year, effectively to maintain production.

The mine is gradually approaching its target 370 000 t monthly mill throughput. But with additional development needed, especially on the VCR, to maintain reserves and increase mining flexibility, the beneficial effect of higher mill throughput on unit costs could be offset. Management's objective is a steadily increasing dividend, though chairman Philip von Wielligh warns that this policy could be constrained if a uranium go-ahead is given.

Stilfontein: Under present conditions the mine's life is stated by chairman Johan Fritz at about five years. Last year development rates were insufficient to replace ore reserves and the tempo is to be increased this year, especially in the area beyond the Kromdraai fault.

Despite higher gold prices, no development is being done on the Commonage reef, and judging by gold and uranium values exposed in development on the Livingstone Johnstone reef, prospects of any significant additions to reserves from this horizon are poor.

Much more important are Stilfontein's plans for re-treating its old dumps and current arisings for uranium. The treatment plant is now expected to come on stream in the latter part of this year and reach full monthly capacity of 270 000 t before the year end. Uranium's contribution to earnings will be necessarily limited this year. Next year, Stilfontein's 85% share of the slimes retreatment project should result in additional earnings of around 150c per share assuming a uranium price of $40.

This year, with capex planned at only R2,4m, there is scope for a dividend increase to around 80c even if bullion should average as low as $225.

West Rand Cons: Gold's performance has resulted in a reprieve for the mine's gold plant with monthly mill throughput this year planned at 45 000 t. But more important are the mine's uranium developments. No details are given of contracts for the sale of uranium from Luipaardsvlei's ore, but expansion of uranium production capacity is not being funded with the help of consumer loans.

With capex this year planned at R4,8m, dividends could be under considerable restraint despite plans to fund part of capex with bridging loans. The stock of uranium available for sale at spot prices is relatively low, again a factor inhibiting earnings this year.

Near-term there can be little let-up in development rates on the uranium-bearing Bird reefs. So though uranium section mill throughput is set to rise marginally to 85 000 t per month this year, unit cost increases will probably be at least in line with industry averages. This year dividend prospects are not particularly bright, though a small improvement on last year's 17,5 cents total payout could be on the cards.

Jim Jones

Gold price sags as supplies increase

C Times 13/4/79. 79

By NEIL BEHRMANN

LONDON. — After hovering around the $240 barrier for almost a week, the gold price finally cracked. It is currently trading around the floor level of around $232 predicted by German and Swiss bankers last week.

The fundamental reason for the decline in gold is that there is plenty of bullion around. One estimate put total supplies at 2000 tons this year and it is predicted that fabrication demand will fall to 1200 tons, leaving a gap of 800 tons to be absorbed by investment and possibly central bank purchases.

As one london dealer put it: "The market is experiencing Chinese torture with two auctions of some 61 tons of gold hitting the market each month."

The market apparently was holding up recently because Russia withdrew from the market from time to time, helping to maintain the support range around $240.

But the weight of supplies — including speculative and investment holders —finally weighed down on the market. Swiss bankers, in fact, had cautioned that the gold becomes expensive to hold at current high interest rates and the longer it remained stagnant the greater the chance that there would be selling on the part of investors and speculators.

Heavy supplies

Swiss bankers outside the gold pool had also cautioned that the South African Reserve Bank should pursue a flexible gold sales policy in the event of a downturn in the market. The remarks could have been made because it was appreciated that there were heavy supplies waiting on the sidelines. German bankers agreed with this viewpoint.

With the gold price hovering in a narrow trading range the traders on the United States futures' market became nervous. These traders are wiped out on a $10 move because only $1000 are needed to purchase a single contract of 100 ounces.

When the price slipped below the chart point of $239 there was heavy stop- loss selling. This was aggravated by an article which appeared in the Wall Street Journal. The article tended on the bearish side.

London traders said there was heavy volume in the past two days, but buying was evident once again in the $230 range.

Some US traders are very bearish. Conti Commodity Services predict a price of $90 to $210 an ounce, while Argus Research Corp, says that gold could fall as low as $160 to $180 this year.

Swiss, German and London bullion traders, however, disagree and expect that the botom range will be around $220. They say that political uncertainty remains and the price could swing up again. There are also the expectations that Soviet sales will be much lower this year.

Meanwhile there is nervousness ahead of next week's auction.

Sun Times Bus. 22/4/79

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US tries to ease out of gold quandary

By JIM SRODES, Washington

THE decision by the US Treasury to cut gold sales is being seen in Washington as a way out of the conundrum in which this selling policy has landed it.

Anti-gold forces at the Treasury have decided to cut in half the size of the May 15 gold sale — from 1,5-million ounces to 750 000 ounces.

Treasury secretary Michael Blumenthal said: "The amount of the monthly sale is being reduced in the light of improved conditions on the foreign exchange markets and the fact that gold no longer appears to be a destabilising factor in these markets."

Another interesting point is that the 750 000 ounces which will be offered in May and in "indefinite" future sales will be of the "gold coin" 0,9000 fineness — a lower grade of bullion — and not the better 0,995 finenesses which the US has in only limited supply.

The Treasury began selling 1,5-million ounces of gold a month in December as part of an effort to offset the 10-million ounce import inflow of bullion that was causing trade account problems as well as undermining the then weak dollar.

But in the past three months, the dollar has revived, partly because money markAt speculators believe that recent OPEC oil-price increases make alternative currencies to the dollar more vulnerable to inflation because of America's overall lesser dependence on imported oil.

The Treasury also announced this week that its December borrowings of short-term currency "swops" from Switzerland and West Germany had almost all been repaid. The US has repaid the equivalent of $447-million in Swiss franc swops and $4,8-billion in German mark loans from the Bundesbank.

Yet the Americans conceded this week that they were not totally free from their golden dilemma yet. "Gold sales remain a significant factor in reducing the US deficit on current account. Domestic demand for gold continues to exceed current gold production in the United States by a substantial amount and the Treasury expects to continue to sell at least 750 000 ounces monthly until further notice", Mr Blumenthal stated.

Russia may also cut gold sales

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SWISS and German bullion dealers maintain that the US Treasury's reduction in the monthly gold auctions could lead to a shortage of the metal in the markets.

By NEIL BEHRMANN: London

The main reason is that Russia is expected to supply about half the amount of gold it sold last year.

In 1978 it is estimated that Russia sold a record 401 tons of gold. This was sold by October and since then Russian sales have been small and sporadic.

Reduced Russian selling, in fact, helped offset the 1,5-million ounces which came on to the market from the US Treasury each month.

A German banker estimated that Russia only sold some 60 to 80 tons this year. Swiss estimates are even lower.

This is gold sold over a period of nearly six months, because the Russians were out of the market in November and December last year. It compares with average monthly sales of around 33 tons in 1978.

Many gold analysts, especially those in the US, blandly assume that Russia will blindly go forward and try and make up for sales lost in the first part of the year.

These assumptions imply Russian sales of some 300 tons during the remainder of this year.

But European bankers disagree and expect that at most Russia will only sell 150 tons over the next eight months.

This means total sales of around 220 tons this year — nearly half the level of 1978.

The Treasury has so far sold 6-million ounces in the first four months of 1979.

If it continues to sell 750 000 ounces a month, another 6-million ounces will flow from the US gold stocks in the remaining eight months of this year.

With expectation that Russia will sell half the sales of last year, it can be seen that the 6-million Treasury ounces merely balance total supplies.

There is a difference of opinion on whether the IMF will also reduce its monthly auctions of 470 000 ounces.

In June 1976 the IMF began its programme to sell 25-million ounces over a four-year period.

Last year the fund agreed that non-competitive bids could be made by Third World nations for up to 3,7-million ounces — part of the 25-million ounces.

The option on this gold ends next month and some 2-million ounces have been taken up already.

But the importance here is that by May this year, the IMF is likely to have disposed of 22

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Gold shortage foreseen

●From Page 1

to 23-million ounces, leaving only 3 to 4-million ounces to be sold by June 1980.

This implies that the IMF will have to reduce the sales from June onwards.

The counter argument, a Swiss view, is that the IMF will continue to sell 470 000 ounces, but instead of June 1980, the auctions will terminate at the end of the year.

Whatever the outcome, either scenario is bullish for gold.

Estimates of total supplies have been downgraded from 2 000 tons to 1 800 tons by these sources.

They exclude the very real possibility that the auctions will be cut further, or even ended. So supplies, at most, will be the same as last year.

A Swiss banker describes current demand as "extraordinary" and there has been very good buying below $240.

There has been buying from the Middle East, while central banks have also made purchases.

Rumours that Portugal was selling gold are regarded as false.

Seasonally, industrial demand dips at this time of the year, but for the year demand is expected to be between 1 200 and 1 400 tons.

Assuming demand for fabrication purposes — jewellery and industrial — is maintained, the amount of gold for investment and central bank buying is hardly significant.

The world political picture is still unstable and with inflation accelerating worldwide bankers believe this gold will be tucked away.

This would be the case even if the dollar improves.

Heading for $300

(79) FM 27/4/79

The US Treasury's decision last week to reduce its monthly gold sales from 1,5m oz to 750 000 oz has aroused almost as many views on gold's future as there are analysts. Though there is consensus that the bullion price has no great upside potential for the next month or so, opinions diverge widely as to what will happen thereafter.

The US decision was apparently made after consulting the central banks of the world's other major economic powers. The announcement, coming during the normally slack two gold sales months, was timed to save American face. European industrial buyers, in particular, slow down on metal purchases in anticipa of the northern summer holiday sea So removal of an amount of gold equ lent to about 40% of SA's produ from the market's supplies at this will have the minimum impact.

But probably every major central l is looking beyond the immediate futu

supporting a reduction in US sales. It is not only the dollar's weakness that leads to stronger gold. Falls in currencies' real purchasing power, no matter what their relative movements against the dollar, are perhaps even more important.

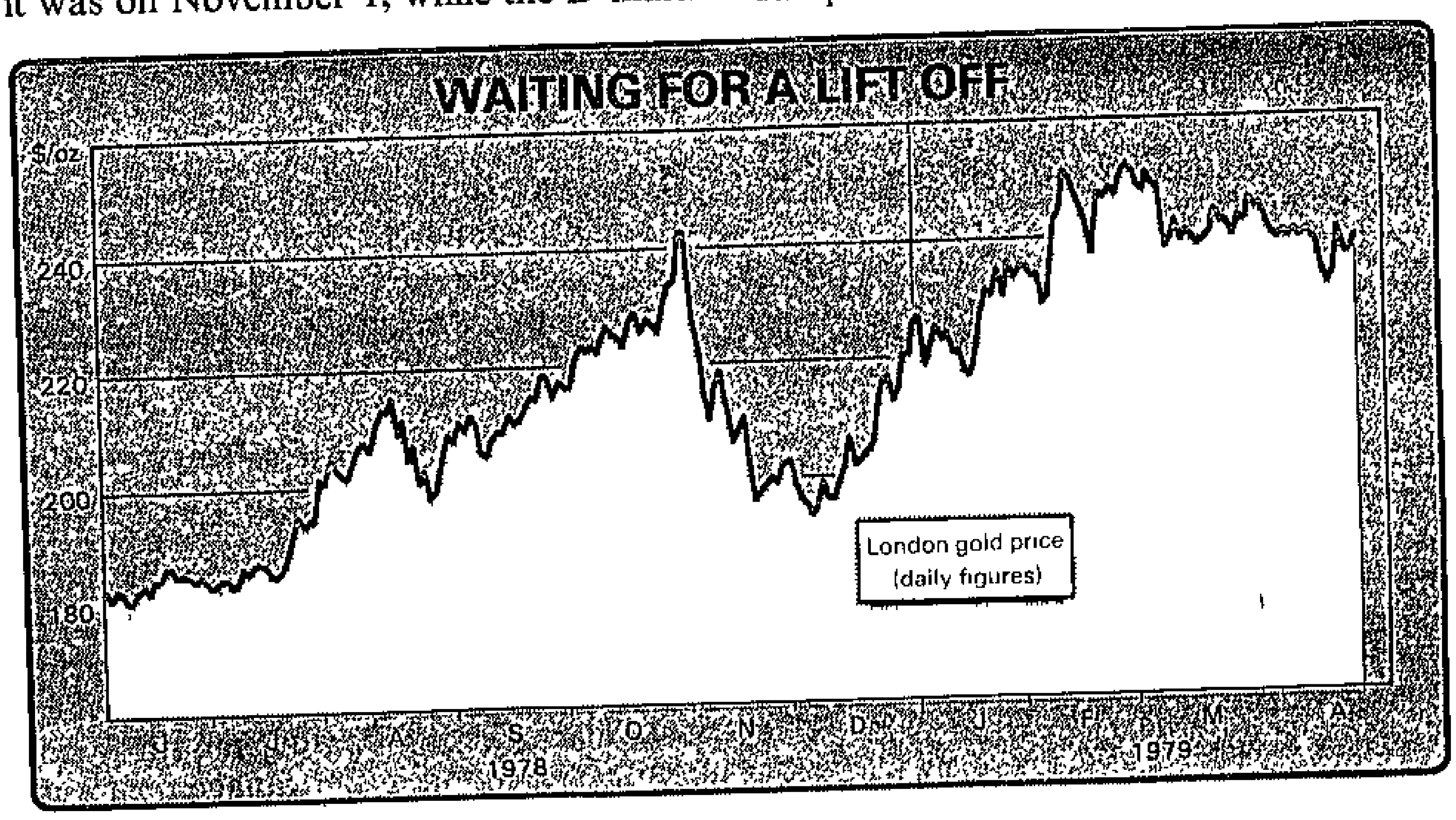
Since November, almost every major currency has depreciated against the dollar. The yen, for example, is currently some 22% lower against the dollar than it was on November 1, while the D-mark is about 9% down. A highly oil-dependent country such as Japan has been hit in several ways.

The implications for Japanese inflation are not difficult to foresee. So the Japanese, for one, are eager for any moves which will weaken the dollar against the yen.

Oil supplies, in any event, are likely to become more difficult, at least for the rest of this year. Northern hemisphere oil stocks — estimated at about 64 days of current consumption — are low, and in the next northern winter the position could become critical.

So, for the remainder of this year, at least, there will be a growing incentive for major trading nations to seek to push their currencies up against the dollar to combat internal inflation, in spite of the adverse impact this will have on their overall balances of trade.

The Carter administration's options for bringing US inflation under control are being squeezed by the run-up to the next presidential election. The nation only goes to the polls on the first Tuesday of November 1980; but Carter has to win the Democratic nomination — and the first primaries (in New England) are in January-February. So there is little chance of the administration trying to dampen the economy with vote-losing high interest rates for at least 18 months.



A possible slowdown in IMF gold sales is probably already reflected in the gold price. At its current monthly rate of 470 000 oz, the IMF could only continue sales until February rather than June 1980, as originally estimated when sales started three years ago. The position has arisen because of the non-competitive bids from central banks.

To some extent European bullion dealers and the Swiss banks have been massaging the gold price during the period of higher US Treasury sales by placing large bids. They may, in the near term, have too much bullion on their books, and would like a period of price stability while they reduce their stocks.

They would not be greatly inconvenienced by a resumption of Russian sales. Recently the USSR has had a decreasing amount of oil for sale for hard currencies. The country has been a major importer during the past few months of base metals, particularly lead, with few signs of an early let-up, and may have to sell gold to pay for these.

But Russia is unlikely to resume sales at its 1977 level of 389 t (as estimated by Cons Gold). Annual sales of 200 t-300 t would no more than cancel out the lower US Treasury offerings.

Gold's failure to follow through after the US announcement probably presages some further weakening over the next month, helped by the normal seasonal demand slackness. But it is difficult to foresee a drop much below $225. The EEC countries (excluding the UK) which are members of the European Monetary System are hardly likely to let gold fall beyond a certain point.

European central banks participating in the EMS's currency stabilisation policies are depositing 20% of their gold holdings and receiving in exchange European Currency Units. At three-monthly intervals, participating central banks will adjust their gold contributions to the ECU pool to maintain their 20% contribution. As gold rises, the number of ECUs issued to central banks as part of their reserves will increase.

Gold-backed ECUs can be used in inter-bank settlements, so gold's transactional role has effectively been re-established, far from its being de-monetised, as the Americans would have liked.

What it all adds up to is that, at least for the next four weeks or so, the gold chart will probably continue to churn around in its present area of congestion with no more than a $10 fall from current levels for a short while on the cards. But bullion should quickly pull out of any depression from July onward, supported by the normal seasonal demand pick-up.

By end-July, $250 is the target aimed for by most analysts, both chartist and fundamentalist. By year-end, the metal should at least be within striking distance of $300. By then its importance as a monetary unit will have been so enhanced that any major price retreat would be increasingly unlikely.

GOLD QUARTERLIES

Ahead of the rise

FM 27/4/79

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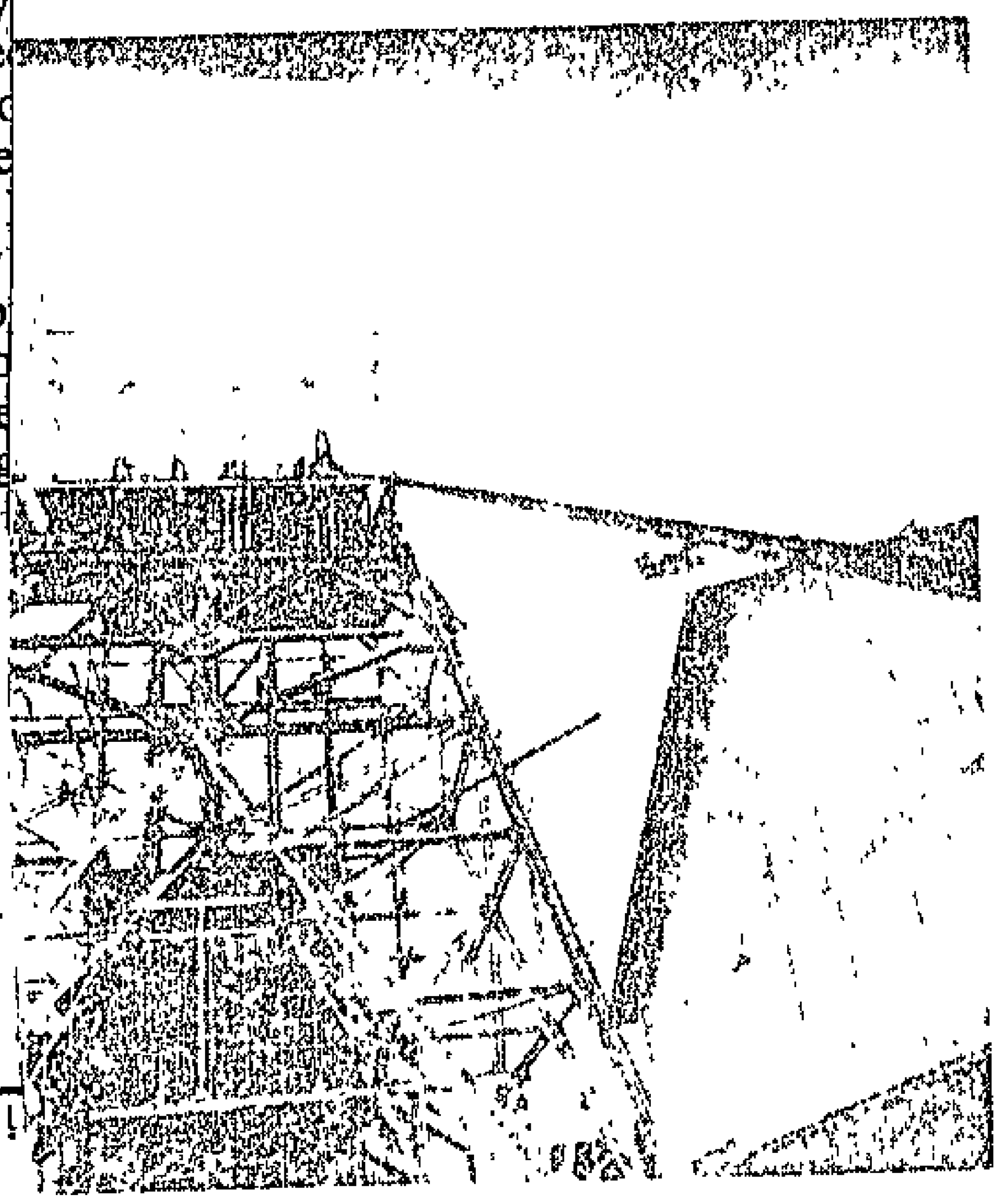
be classified as pre-production, Ergo did not earn the 25c it distributed. On the March quarter's figures this year's promised 50c distribution could be earned after likely capex, but mainly because gold is currently at a much higher level than expected when the dividend was promised in the prospectus. Much remains to be done and the annual report is the ideal vehicle for management to put shareholders fully in the picture.

Elandsrand: Mill throughput will now build up steadily to the full monthly capacity of 180 000 t. Dividends are probably three years away, depending on the extent to which use is made of short-term borrowings this year, and repayment terms.

Vaal Reefs: With agreement on development of Afrikander Lease, capex this year is slated to increase to R96m from the originally planned R80m. Distributions this year will depend on the extent to which consumer loans are used to finance Af Lease, but it is unlikely that management will allow the total payout to drop below last year's 280c if bullion maintains its current level. At this stage dividends totalling 350c seem possible.

Western Deep: First quarter mill throughput and yield appear to indicate that the mine will run below targeted production this year. R70,4m capex remains for the rest of the year, so distributions will depend largely on the extent to which



Hauling up paydirt

the mine makes use of bridging finance to fund expenditure. At this stage it is probably safe to assume that there will be something of an increase on last year's 147,5c total payout but that distributions next year will not advance strongly while short-term borrowings are repaid.

Land: Results of the SRK 1 borehole section should be known within a month, giving an indication of mining potential to the south of the old mine. Further drilling will be needed but should not interfere with this year's distributions. An advance on last year's 25c total payout is easily possible.

Free State Geduld: Yields are holding up better than would have been expected from plans announced in the annual report. But balancing mining to reserves means that yield must decline to not much more than 11,5g/t by the September quarter. The mine's share of profit from the JMS is hardly likely to offset the effects of declining grades as mining emphasis shifts towards the north.

Capex estimated for the current year has been increased to R50m from R43m, leaving R28,5m to be spent in the remaining two quarters. So with yield declining and higher capex, it is difficult to foresee the final being greatly better than the 185c interim.

Western Holdings: At least near-term, the mine appears to have decided that it can benefit more from lower costs associated with mining lower-grade and more easily mined ore. The March quarter's major yield decline was in part offset by lower unit costs. Whether the quarter's increased stoping width and lower grade means that a start has been made on mining the lower grade Leader reef is not clear. But if the mine's life is to be extended beyond the approximately six years remaining on Basal reef, Leader reef exploitation with average grade dropping to around 5g/t will be needed soon.

Free State Saai: A positive contribution from JMS has lightened some of the pressure on the mine's liquidity. But completion of the expansion programme still calls for additional funds, and there is little likelihood of a dividend at least until the mid-Eighties. By the time the new No 3 shaft is in full production by 1981, there will be scope for an overall gold grade increase. But this is hardly a bull point for the share. Until the JMS, in which Free State Saai has a 54% participation, is operating profitably — and that could be some years off — the share remains one of the least attractive in the sector.

Welkom: Slimes deliveries to the JMS have started, making some contribution to the mine's profit. But as with other mines in the area, is is a moot point whether profit from this source will compensate for lower than planned gold yields from mining.

The increase in average stoping width and lower gold yield could mean a swing towards mining the lower-grade Leader reef. This would make sense if it gives better cost control and extends the mine's life beyond the approximately six years remaining on the Basal reef. After the better than expected 42,5c interim, a 50c final could be on the cards.

President Brand: There are no ob
retentions being made to help fund
sidiary Free State Saai's cash re
ments. Capex at the mine during th
two quarters is R5,7m after R6,3m
first half. As yet there is no indic
when capex on shaft sinking in the s
ern part of the mine is likely to star
it is probably not more than about
years away.

Following the 115c interim, a fi
at least as much is possible, though
ing would be enhanced if reas
profits were forthcoming from the J

President Steyn: On the firs
quarters' performance it is diffic
envisage the year's 8g/t gold yield
being met. Nor is there much enco
ment from the share in JMS profi
65c interim was reasonably ger
Capex should accelerate in the rem
two quarters before falling stea
from next year. But the remainder
mine's life will probably be accom
by steadily declining gold yields.
final seems possible.

Grootvlei: Eventual capex to p
additional pumping equipment cou
to some caution on dividend d
tions. For the next couple of qu
mill throughput and yield should
steady, though there is scope fo
marginal grade cutting as pre
excluded ore is mined. On the b
current gold prices, there is scop
total distribution of 55c this year.

Marievale: Grade continues to
underground operations wind
Underground mining might just c
beyond the current quarter, but o
Even so a 50c total payout might
sible this year.

St Helena: Grade will probably
at the current 9g/t until higher gr
lars in the northern part of the n
worked out. But by the early-E
yields will probably be less than
mining emphasis shifts to the s
area. This will probably be accor
by capex for a major shaft in th
Meantime the mine is distributin
able earnings in full. A final repea
125c interim is easily within reac

Leslie: The mine appears to b
hurry to increase mill throughpu
capacity of 136 000 t/month, so
unlikely to be a near-term drag
dends. There seems little re
believe that current recovery gra
not be maintained. At curre
prices it should be possible to pa
equal to the 14c interim.

Bracken: There are no signs o
capital repayments, indicating
break up, assets could realise the
ing 90c par value of the share
while, despite continuing public
development sampling results,
likely that any significant addit
be made to reserves. Life is prob
over two years.

Next US gold sale crucial — Anglo

79

JOHANNESBURG. — The result of this month's US Treasury gold auction will be crucial to gold price performance over the next year or so, Mr Dennis Etheredge, chairman of Anglo American's gold division says.

Without taking into account the halving of US Treasury offerings to 750 000 ounces from this month, growing industrial demand and increased emphasis on gold's monetary role point to a gradual upward price trend, subject to fluctuations of around 10 percent due to the substantial speculative element in the market.

He said a proportionate reduction in subscriptions at the next Treasury auction to around one million ounces, corresponding to the cut in offerings, would represent continuing firm demand on a reasonably balanced supply situation.

However, if the subscription rate was maintained around the two million ounce level of previous auctions, this would accentuate the development of under-supply and the price must then start moving very fast with the possibility it would breach $300 an ounce this year. — Reuter

UP 93
DOWN 64

Gold price nears peak

Argus 15/5/79 (79)

GOLD was traded at 253,75 dollars before the morning fixing in London today — 25 cents below its peak of 254 dollars reached on February 8.

It was fixed at 253,40 dollars.

It had opened at 252,75 dollars, unchanged from the New York close, which was up 3,50 dollars on the day, Reuter reports.

Helping the rise has been the news that the International Monetary Fund is to reduce slightly the amount of gold it auctions monthly from 475 000 ounces to 444 000 ounces.

This reduction has been made necessary because 1 480 000 ounces have been taken up in non-competitive bidding by 13 countries.

KEEN BIDDING

The gold acquired through non-competitive bidding, together with the 18,2-million ounces sold by auction, means that the fund has now sold 19,7-million ounces of the 25-million it is pledged to sell under the gold sales programme.

Also contributing to the firmness of the gold market are expectations that today's US gold auction could produce keen bidding.

It is the first auction to be held since the amount offered has been reduced from 1 500 000 ounces to 750 000 ounces.

Fixings in London were:

	Dollars an ounce	Rands a kg
Today:		
10.30 am	253,40	6 880,97
Yesterday:		
3.00 pm	251,00	6 815,79

GOLD AND THE DOLLAR
Smiles all round

79

FM 15/5/79

The gold price jumped to new records this week (see *Markets*) but the dollar was firm as well.

This is odd. Historically, the dollar falls when gold rises or vice versa. But now this inverse link is being broken.

The explanation is that bullish factors of very different sorts are pushing both up simultaneously. While uncertainties over oil prices and the Middle East provide marginal help for gold, the basic reason for the big rise this week lies in increasing doubts that the IMF and the US Treasury will continue selling off their stocks.

Gold . . . that $256 feeling

On Monday night, the IMF said it will reduce the quantity of gold offered at its monthly auctions from 470 000 oz to 440 000 oz. The present IMF gold sales programme, which ends in May 1980, is already running ahead of schedule. So the Fund had either to reduce the amount offered or end the sales prematurely. It chose the former.

Second programme unlikely

But what will happen when the present series of auctions ends? The betting in the market — and the IMF headquarters — is that there will not be a second auction programme.

An important consideration is the emergence of the new European monetary system, which the Common Market countries have set up, with its $25 billion support fund financed by a levy on member countries' gold and dollar reserves. If Europe is giving a monetary role to its gold, is the IMF wise to get rid of its holdings? That is the question the fund board must soon face.

Meanwhile, the US Treasury is also helping force up the gold price with its decision to halve its monthly gold sale to 750 000 oz. Nonetheless, this week's sale drew bids for 2,4M oz. The US is leaving its options open for the future. But the betting in Europe is that it will gradually start winding down its sales if the dollar remains firm.

While gold is thus being helped by shrinking supplies as the IMF and US sales dry up, the dollar is benefitting from optimistic forecasts about the US balance of payments.

This year, the US Treasury and the OECD secretariat expect the US current account deficit to fall to about $10 billion, compared with $16 billion in 1978. Next year's forecasts suggest a further decline to the $4 billion to $6 billion range at annual rates during the first half.

But much of this improvement is being bought at the cost of a sharp economic slowdown. The US Treasury thinks America's average growth rate will reach 2% this year, Treasury under-secretary Anthony Solomon told an OECD meeting in Paris this week. But this implies a virtual standstill in the second half, stretching into 1980.

Other delegates at the OECD replied that the US was resorting to unfair tactics: instead of depreciating the dollar, slowing down its own economy and increasing its share of world trade, all of which hurt other countries — it should follow the rest of the world's example and reduce oil imports, instead.

But with President Carter's petrol rationing plan just vetoed by the House of Representatives, there is not much sign of that.

associated with them and it was decided therefore, that the
not be calculated directly from the dates and a curve fittin
used. Linear regression analysis provided a best fit straig
from a least squares analysis (McCall, 1970), between distan
Some sites had more than one date associated with them and a
(Huffman, 1977) was used to provide a best estimate. The wei
was used only where dates clustered and were unlikely to be
with pre Iron Age events (Huffman, 1977). If dates were obvi
recent than the earliest occurence of the Early Iron Age in
not used in the analysis as the analysis was an attempt to m
of spread of the Early Iron Age.

DATA

Regression analyses for both of the possible routes of e
to Silver Leaves and Kwale to Silver Leaves, were carried out
regression lines were calculated, the value for the expansion of the Urewe
culture and the values for the two possible routes. In each case the
earliest date was set at a distance of zero. The distance from this site
to other early sites was measured. The regression line was then calculated
and rates of expansion were derived from the results.

The sites and associated dates used in the present study are shown
in tables seven, eight, and nine.

7.

0,54 with the
0,57 Km/year.
ith the origin
4). The overall
ived from the
growth (0,035;
es route was
te was 10,3 Km/year
nuous spread model
radiocarbon
ave of advance
ference between
dition provided
ge expansion.
bon chronology
and bevelled
from the eastern
orted the
7). However the
outh spread and

The relatively slow expansion rates associated with the simulations of the continuous spread model indicated that the wave model (Soper, 1971a) is probably incorrect. The rapid rates of spread generated by the simulations of the discontinuous spread model suggest that this was the most likely mechanism of dispersal. This mechanism mimics movements known from oral tradition (Kimambo, 1974; Legassick, 1969; Monnig, 1967; Turner, 1954; Were 1974). The groups that were hived off would have moved some distance and settled and they could have acted as nuclei for further expansion. Because more than one

DEPARTMENT OF FINANCE

No. 1101 (79) 25 May 1979

SOUTH AFRICAN RESERVE BANK ACT, 1944

DETERMINATION OF STATUTORY PRICE OF GOLD

It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 30 April 1979, all gold of the South African Reserve Bank at R185,09 per fine ounce of gold.

DEPARTEMENT VAN FINANSIES

No. 1101 25 Mei 1979

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekendgemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 30 April 1979 teen R185,09 per ons suiwer goud gewaardeer het.

GG 6459

Director of Research, The J. E. Baker Company

The company, through top management, must establish good communications with its research and development staff and inform them of major policies of the organization. Poor communications can only lead to frustration in the R&D function.

SOME few years ago, when I was in high school, I had a rather frustrating experience. We had just finished reading Hamlet and we were given a test which covered the subject. One of the questions was, "Why did Hamlet hesitate in killing the king?" A lengthy essay dealing with the character of Hamlet was the expected reply. I answered the question simply in one sentence. I said, "If Hamlet had not hesitated, the story would not have been long enough for a play." Though I still consider my answer correct, the teacher did not reward it with a good grade.

In discussing Management's role in R&D I could get into the same trouble. I could very simply and correctly state that Management's role in R&D is to MANAGE. If I did so, readers of this article would feel cheated. Therefore, I shall elaborate on the fact that in order to manage R&D, Management must do its job well. It must have goals; it must communicate; and it must direct.

In Peter Drucker's words, "Research is a cost or an investment; far from delivering guaranteed results, it is a highly speculative, highly uncertain effort that requires the greatest managerial competence to produce results. Judging by the over-all performance of American business these last ten years, all we are really good at so far is spending research dollars. We still have to learn how to get results from this expenditure."

First of all, let us consider corporate goals and the R&D department. Obviously, when a company starts a research function, it has a reason to do so. It expects something from R&D. Presumably, what it expects coincides with the long-range goals the company has set for itself. Research can no more function in a vacuum than can any other corporate function. A sales department can not sell a non-existing product. Likewise, it is impossible for a research department to produce useable results if no one knows what is expected from R&D. A company must have a long range plan, and goals and objectives if its expenditures in research are to lead to future income.

Corporate planning must determine

26/5/79 Star (79)

Gold may still bring boom in spite of oil crisis

By Harold Fridjhon

Gold is soaring and with it are South Africa's hopes that 1979 could bring a swing to boom in spite of the oil crisis.

Yesterday the gold price broke through to a record peak of 270 dollars an ounce, and support for the metal in world markets appears to be strengthening. Weeks ago some of the pundits, among them Mr Dennis Etheridge, chairman of the Anglo-American gold division, forecast a gold price of 300 dollars an ounce by the end of this year.

But in making these well-informed guesses, the experts did not bank on gold moving so high so fast before the end of the second quarter; they had thought that the major price movement would come later on, towards the end of the third quarter.

At the present rate, the bullion price might break the 300 dollars barrier by the end of the year. But even if it doesn't, if it holds the 270 dollars mark until December, the benefits to the country will be tremendous.

First, earnings from gold in foreign currency will exceed last year's R3 900m by more than R1 000m — half of the increased cost of oil. While Mr Heunis can't bank on this additional cash flowing in, it must be a comfort to him to know that he has what other countries haven't got — a golden backstop.

Second, Senator Horwood will again produce a budget surplus because taxation from the mines will earn at least R200-million more than the R875-million which he had budgeted to collect from lease payments and formula tax.

Third, a steadily rising gold price will encourage the opening of some properties which have lain dormant because the gold price up to now has not been high enough to make them payable.

And, finally, one must take into account the cascading effect on the economy at large of prosperity in the gold mining industry. In 1977 — the latest figures available — the gold mines spent R1 147-million on buying stores and equipment, mostly from South African producers in industry and agriculture.

This figure must have been considerably higher last year. And this year's expenditure will be higher still.

More cash in circulation and more cash flowing into the Treasury's coffers means that next March Senator Horwood should be in a position to do as he did this year — trim down personal taxation, putting more money in the public's hands to help them offset some of the inflationary price increases.

But there is a but... it is possible that if the gold price continues to go up, the Reserve Bank might increase the value of the rand in terms of the dollar. This would trim some of our earnings from gold — and Krugerrands. But it would also lower the rand prices of imported goods.

c) Ander lede:

Mnr K. Bosman	Mnr H.W. Middelmann
Professor A. Cupido	Eerw. M.T.L. Moletsane
Mnr N. Daniels	Professor A.D. Muller
Mnr Achmat Davids	Sheik A. Najaar
Professor R.J. Davies	Mnr Victor Norton
Professor J.J. Degenaar	Professor N.J.J. Olivier
Mnr René de Villiers	Mnr L. Phillips
Dr I.D. du Plessis	Professor H.P. Pollak
Professor J.J.F. Durand	Mnr W.J. September
Professor J.B. du Toit	Mnr Franklin Sonn
Mnr A. Flederman	Mnr P.M. Sonn
Professor R.F. Fuggle	Regter J.H. Steyn
Mnr G.J. Gerwel	Mnr R. Tobias
Eerw. D. Guma	Professor R.E. van der Ross
Professor A. Paul Hare	Professor J.H. van Rooyen
Dr Gertrud Heydorn	Mev. S. Walters
Mnr F.A. Jacobs	Professor F.A.H. Wilson
Mnr H.M. Jimba	

d) Twee Ere-Fellows:

Professor J.L. Boshoff
Dr Sheila T. van der Horst

Lede word na die Algemene Jaarvergadering van die Maatskappy uitgenooi en kies elke drie jaar 'n verteenwoordiger ... 1978 gehou en die

GOLD MINE TAXES

Rainbow's end

(77)

The gold price gave government's coffers a healthy boost last year. This year it will be a bonanza. Higher gold mine taxes will undoubtedly be one factor in holding down government borrowing on the capital market next month.

Assuming that mining costs remain stable, each dollar increase in the bullion price brings in [illegible] to the exchequer. Last year's average gold price was [illegible]. The [illegible] received roughly [illegible] in gold mine taxes and leases. Receipts in 1977 totalled [illegible].

The average price for the first quarter of 1979 was [illegible] and the mines contributed about [illegible] to Inland Revenue. If the [illegible] position persists, the State can expect around [illegible] more from the gold mines than in 1978, in other words about [illegible] all [illegible].

Indeed, with the average gold price so far in the second quarter at $243 and speculation that it could soon reach [illegible], the exchequer could receive considerably more than this. In addition, output is expected to increase by roughly [illegible] this year to 720 t.

Mine profits, and thus tax payments, depend, however, on keeping costs down. The Chamber of Mines expects gold mine costs to increase by about 15% over the next 12 months. Labour and related items account for 50% of mining costs. A 10% hike in white wages was announced last week and a slightly larger rise is anticipated for black miners. However, rocketing oil prices are unlikely to dent mine profits seriously. The mines rely on electricity for most of their energy and Escom rates seem set to remain stable for some time.

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambië besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland.

Professor J.L. Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriële firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

79

Gold price shows signs of recovery

In Hong Kong today the gold price showed signs of recovery from Friday's profit-taking induced fall and rose to 275,75 dollars.

Dealing in Hong Kong was quiet as most European markets are closed for the Whit Monday holiday. But the bullion price pulled up from Friday's disappointing 273/273,40 dollar close in New York to move comfortably above 275 dollars.

Friday's dip was attributed to profit-taking, which spilt over into the other precious metals, platinum and silver. But by early this morning, signs of recovery were seen in Hong Kong and dealers say the metal is moving back towards its recent record levels.

"Gold seems to have found a temporary support level at 270 dollars and is unlikely to fall below that for some time," said one expert.—Anne Colley.

London notes drop in SA gold deliveries

79 RDM 4/6/79

By NEIL BEHRMANN

LONDON. — South African gold sales to the bullion markets have declined in the past few weeks and European sources believe the mining houses are supplying the Reserve Bank with less gold.

In terms of Reserve Bank regulations, the mines must legally deliver gold to it within 30 days of production. This includes the time taken by the Rand Refinery to refine the gold to its final delivery form.

Bankers in London believe the mines are holding back gold for as long as possible before delivery to the Rand Refinery. They said the bank would have sold the gold had it received it from the refinery.

One London banker said the market urgently needed fresh supplies of gold, and other bullion sources said this was an excellent time for producers to sell gold.

They said the Soviet Union was out of the market when gold was below $240 and sold when the price rose above $245. At current prices, Russian sales have picked up considerably.

Bullion dealers say the Soviet Union exploits the market by selling less gold when the price is weak and by increasing sales when the price is strong.

They are puzzled because the South Africans are practising precisely the opposite method. Full production was flowing to Europe when the price was weak and now less gold is coming on the market with the price at record heights.

No doubt the lower flow of gold from South Africa kept the market tight and helped to spur the price.

The sources say that producers should take advantage of a sellers' market and pump gold to the willing speculators.

They caution that the northern summer months are traditionally quiet in the bullion markets, because of the festivities of Ramadan and because of lower jewellery fabrication in Italy and elsewhere.

It could well be, that if the speculative situation abates, the producers will be forced to sell on a buyers' market and this could aggravate any price decline.

No one is sure whether mining houses are acting in concert, and the Chamber of Mines would not act without permission from the Reserve Bank.

So the impression is that the individual mining houses are going it alone.

There have been reports, for instance, that the flow of money to Anglo American's central reserves (the division which places Anglo's cash in the money market) has been much more inconsistent than in the past. This, however, is only a supposition because Anglo receives cash from sales of diamonds and other sources.

Following the revaluation of South Africa's gold reserves, the gold-mining companies were paid the full market price for newly mined gold delivered to the Reserve Bank.

In evidence to the De Kock Commission, it was proposed that the Chamber of Mines take over the marketing of gold from the Reserve Bank. The commission rejected this proposal "partly because gold still performs a vital international monetary role and partly for strategic reasons."

- A spokesman for the Chamber of Mines said in Joahnnesburg that a possible explanation for the apparent decline in deliveries of gold to Europe was the increasing number of Krugerrands being sold.

In the first three months of this year, Krugerrand sales were low because of an overhang of stocks built up by dealers before last Christmas. These stocks had now been sold and new orders for Krugerrands were flowing in.

This was particularly noticeable in Germany where the inflation rate doubled last month to 4%, sparking a wave of buying.

He said that London currently received only about 20% of South African production, so that any decline in supplies would be particularly noticeable in that centre.

Gold oversupply could put strain on $250

RIDM 8/6/79

79

By DON ROBERTSON
Mining Editor

THE GOLD price may not perform as spectacularly in dollar terms in 1979 as it did in 1978, but the average price for the year will comfortably exceed last year's $194 an ounce, according to Mr Christopher Glynn, head of the investment department of Consolidated Gold Fields.

Mr Glynn, in the informative annual publication Gold 1979, paints a gloomy statistical equation of the possible supply-/demand situation for the current year, although he underlines this with a general confidence in the future.

On the statistical side, newly mined production is expected to increase slightly this year in response to improved byproduct recovery and higher South African output. The figure is estimated 1 000 tons from the Western world compared with 969 tons last year.

Russian sales in the first few months of this year have been well below the average of the past three years and unless there is a substantial increase in sales in the next six months, total supplies from this source will be lower than the 400 tons of 1978. If, however, supplies are resumed, total Russian sales to the market will be about 300 tons.

International Monetary Fund sales, including non-competitive transfers to developing countries, are expected to reach 170 tons. US Treasury offerings, if they continue through to September, should be about 300 tons. This would take total official supplies to 470 tons. If Treasury sales continue beyond September, official sales could reach 540 tons.

According to Mr Glynn, this could mean total new supplies to the market of 1 840 tons made up of 1 000 tons' mine production, 300 tons' Russian sales and 540 tons' official sales.

"If the suggested quantities did become available to the private market, and assuming a level of fabrication demand equal to or a little less than last year i.e. around 1 500 tons, the residual available for investment, say, around 350 tons, could prove difficult to absorb at prices over $250".

The reason for this, says Mr Glynn, is the change in the nature of investment buying of gold over the past three years. Much is now channelled into paper contracts where the bullion required to back such transactions is far less than would be necessary if interest was confined to physical purchases.

In addition, physical demand for more than 300 tons would require a further deterioration in economic or political environments. This is possible, but it would lead to a general decline in purchasingh power which would adversely affect jewellery sales and lead to still greater volumes of gold to be absorbed as bullion stocks.

However, given the likely interplay between potantial Russian sales, US Treasury sales and the attitude of central banks and other monetary authorities, Mr Glynn believes it unlikely that the market will be asked to absorb more gold than it comfortably handled in 1978.

"Looking slightly further ahead it is also probable that IMF sales will not be continued on completion of the present four-year programme in May 1980".

Demand, split into the categories, fabrication and investment demand, looks fairly promising for the current year after a record 1978 when 1 741 tons were bought privately. This was supplied by 1 379 tons of newly mined gold and 362 tons from official sales.

Fabrication demand reached a record 1 552 tons last year compared with the previous best of 1 405 tons in 1977. The outlook for the individual categories of fabrication is:

JEWELLERY manufacture increased marginally from a revised estimate of 996 tons in 1977 to 1 001 tons last year. Future offtake for this purpose is hedged with many imponderables, but the overall picture appears favourable.

ELECTRONICS absorbed 85 tons last year compared with an adjusted 77 tons in 1977. Although it is possible that substitutes will require less gold in some applications, gold should benefit from the continued rapid growth in the industry.

DENTISTRY used 87 tons last year compared with 82 tons. It is unlikely that a similar improvement in demand will be noted this year and a more modest growth in dental gold use can be expected.

OTHER INDUSTRIAL AND DECORATIVE USES took 75 tons last year compared with 67 tons. With economic growth expected to be lower, especially in America, gold use in this sector can be expected to grow more slowly.

MEDALS AND FAKE COINS used a barely changed 46 tons last year. Other than America, medal and medallion gold use is not expected to grow much in the next few years, and the expected firmness of prices should hold down the volume of fake coin hoarding.

OFFICIAL COINS absorbed an increased 259 tons compared with 137 tons largely because of the increase in Krugerrand sales which used 194 tons, or 27% of South African production. World coin production this year is not expected to exceed last year's record. Nevertheless, coin production should use over 200 tons in each of the next few years.

Investment demand is broken down into two categories. Small bar hoarding absorbed 82 tons compared with 69 tons, although residual investment representing gold held in bank accounts and with dealers, declined to 107 tons from 164 tons.

Mr Glynn makes no definite forecast for this sector of the market, but his comment that although gold prices last year appreciated in terms of all major currencies, dollar hedging was, for once, a secondary consideration, bears attention.

Star 8/6/79 (79)

Gold supply at 1 840 tons?

By Harold Fridjhon

With the price of gold hovering around the 280 dollars an ounce mark observations made by Christopher Glynn in the Consolidated Gold Fields publication "Gold 1979" appear to be overtaken a little by events.

Mr Glynn expresses the view that at prices over 250 dollars it could prove difficult for the private market to absorb the excess tonnage of gold above the fabrication demand. But yesterday the IMF offering was three times overbid at prices ranging from 280,22 dollars to 281,37.

In his fascinating study of the gold market, Mr Glynn says it is possible that total supplies reaching the free market this year could reach 1 840 tons. This would consist of 1 000 tons mine production, 300 tons Russian sales and 540 tons of offical sales (US Treasury and IMF).

FABRICATION DEMAND

He states: "It would be simplistic to assume that there would be no compensating official purchases were the US Treasury to continue to sell at current rates. It would also be naive to assume that the Russians will return to the market with "normal" offerings (400 tons) while the US continues to sell; they so far have not done so."

Glynn estimates that fabrication demand for jewellery, dentistry and industrial purposes will be equal to or a little less than last year's 1 500 tons. This would leave around 350 tons for the investment/speculative market which he thinks will be difficult to absorb at prices above 250 dollars.

DETERIORATION

His reasons for this assumption are that much investment interest in gold is now being channelled into paper contracts or unallocated accounts with banks and dealers. The bullion required to back these transactions is far less than would be necessary if the investments had been made in the physical metal.

Secondly, "the investment interest indicated by physical purchases of over 300 tons of gold would call for a further serious deterioration in the economic or political environment.

"Such a deterioration is possible but not certain and it would inevitably mean a general decline in private purchasing power. This in turn would have an adverse effect on gold jewellery purchases and may lead therefore to still greater volumes of gold to be absorbed as bullion stocks."

THREE FORCES

Glynn is not unaware of the present precarious nature of world economic and political stability and although, obviously the oil price had not risen so dangerously high when he wrote his review, he did point to the oil crisis as being a possible flashpoint which could affect his forecasting.

He identifies three forces as the major contributors to gold's performance in 1978. They are:

- The strong growth in the use of gold in industrial and commercial applications.
- The declining acceptance of the dollar as a reserve asset.
- Political development in the Middle East and Far East and the economic consequences flowing from them.

KRUGERRANDS

Last year industrial and commercial demand for gold grew by 10,5 percent from 1 405 tons in 1977 to 1 552 tons. The biggest demand was in 1971 when 1 383 tons were absorbed.

Included in the category of "industrial and commercial" is the investment demand for medals, medallions and fake coins, as well as for official coins of which the Krugerrand is predominant. Indeed it was last year's Krugerrand sales which were largely responsible for the growth pattern. Over 190 tons of gold were used for minting the South African coin, compared with 89 tons in 1977.

Referring to the declining acceptance of the dollar as reserve assets, Glynn points out that the positive attitude to gold is linked with loss of faith in the US currency. Reason for this is "the erosion of the political influence and military power of the United States (which) has proceeded hand in hand with a decline in relative economic importance."

RESERVES DOWN

An uncertainty has developed about America's will and ability to provide the necessary defence umbrella and this emphasises questions about the long-term viability of the dollar as the pre-eminent reserve currency.

Already, with gold valued at market related prices, the proportion of dollars in world reserves has dropped to 42 percent from the 60 percent when official gold was valued at 35 SDRs.

Glynn cannot see the supply position really improving; on the contrary with gold priced high, "say below 300 dollars," new mine development would be partially or wholly offset by the mining of lower grade ore in existing mines, particularly in South Africa, with at least a short-term decline in gold output.

And of official sales, Glynn appears to see these scaled down, rather than increased.

june 8 1979

Financial Mail

(79) FM 8/6/79

GOLD MARKET

Can it float?

Look at a graph of the dollar price of gold, and you will get the impression that, except for a brief correction at the end of 1978 and an even shallower one a couple of months ago, the gold price has been moving inexorably upwards since the beginning of 1978. Indeed, if there were any point in drawing graphs that far back, you would see that the upturn started in mid-1976 (if you don't remember, refer to the graphs accompanying the leading article on gold in our issue of November 10 1978).

But this is only part of the truth. In fact, the forces pushing up gold in 1979 have been very different from those underlying the first two years-odd of the great gold bull market.

The main reason for this can be summed up in one, terse word: oil. Until well into 1978, the apparent increase in gold price was restricted largely to what were perceived as the weak international currencies: sterling, the US$, the French franc. In hard currencies like the yen, DM or Swiss franc, the gold price scarcely moved between the beginning of 1976 and mid-1978; and with even the moderate inflation that these strong-currency countries recorded, this was tantamount in real terms to a declining gold price.

But as the index of the gold price since the beginning of 1978 shows, in the past year the gold price has moved up strongly in terms of such currencies as the yen and the DM; and since the recovery from the late 1978 trough, it has actually moved up faster proportionately in the yen and DM than in the US$.

To some extent, this reflects the relative strength of the US$ (and, for that matter, the £) recently; but, more germanely, it shows that gold is seen as a preferable holding to virtually any currency, not just as a protection against a declining $ or £. This is a development of major importance, which can be attributed directly to the influence of the oil crisis.

Even if the present surge of oil prices is not sustained, it has reinforced previous fears that the world at large is moving into a new bout of 10%-15% inflation, which would make it better to hold almost any real asset rather than money — so the trend in the gold price must be set alongside similar trends in the prices of many other raw materials, copper at the moment being the outstanding exception.

And the economic prosperity of the past few years, even if it hasn't yet rubbed off much on SA, has enabled many of the wealthy in the northern hemisphere to boost their demand for jewellery and even plain physical gold — like the 100%-backed gold certificates being marketed by some US banks, and being bought even by relatively small investors.

Cash balances of many oil producers have also been rising, and they are likely to wish to diversify their currency-type assets away from the $. Indeed, one-third of current world demand stems from India, Opec and nearby mid-Eastern countries.

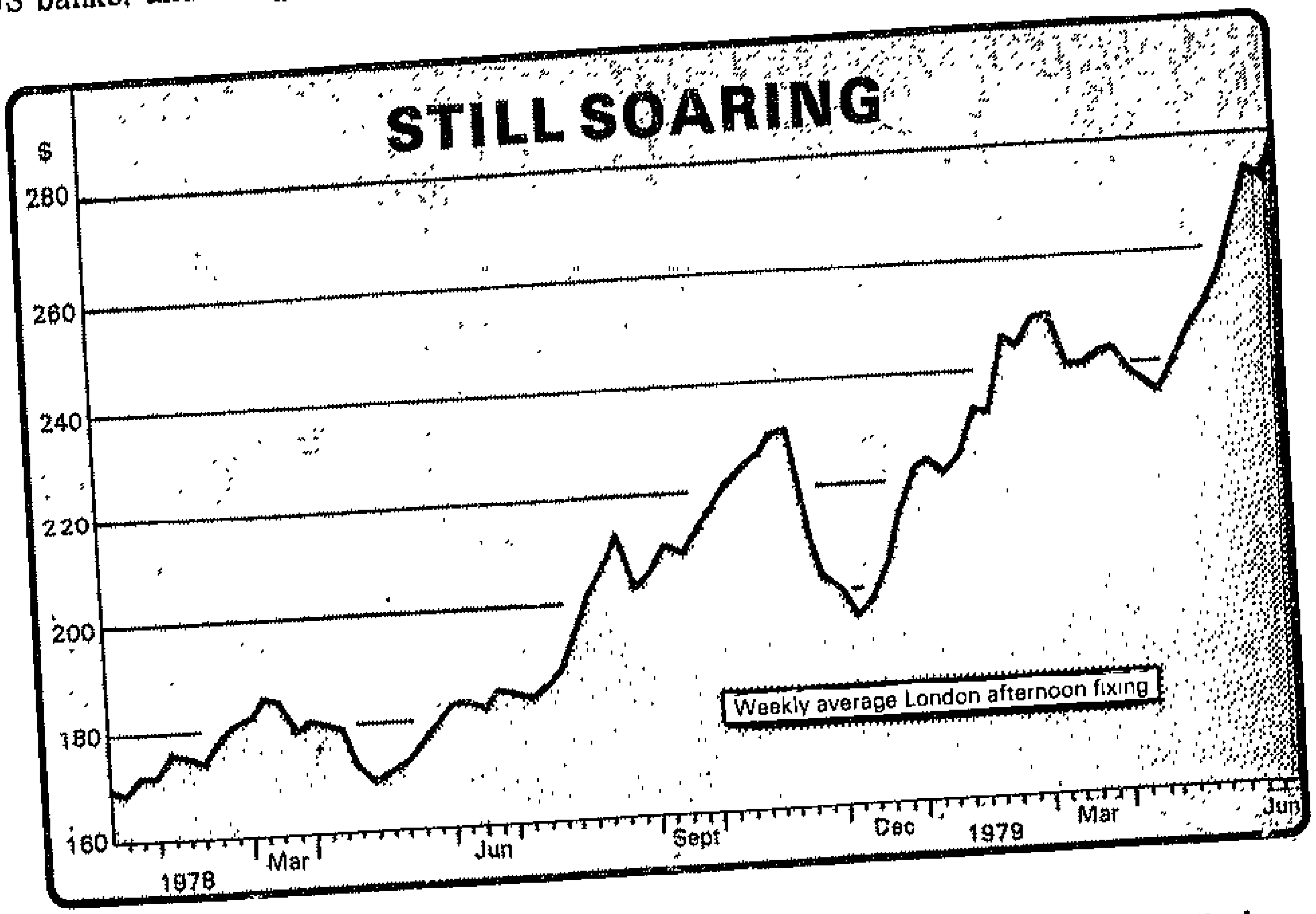
Another new factor is that the high price does not appear to have the same inhibiting effect on industrial demand as past experience would have led one to expect.

This could be because rising prices of other commodities diminish potential substitution. More important is probably the considerable development of futures markets, which enable producers and fabricators to hedge against future price increases. Indeed, the scale of futures operations, plus the withdrawal of physical gold from this market (eg, to back the gold certificates) suggests that the futures markets could soon actually need to increase their own physical stocks of gold.

So at the moment, everything looks positive on the demand side. But any market is a reconciliation of both demand and supply; and on the supply side as well the position is bullish.

SA gold output is expected to rise by about 3% this year, and with mining grades at their current levels there is little potential for affecting this significantly by cutting grades. But output and supply to the bullion market are not the same thing.

In the first few months of this year, Krugerrand sales were at low levels; they are now picking up. Gold sold as KR



P. T. O.

It's a fix, claim gold dealers

By Neil Behrmann in London, Jim Srodes in Washington and Nigel Bruce in Johannesburg.

AS THE gold price soared above $280 this week, bullion dealers in world markets began suspecting South Africa — and in particular, the gold mines themselves — of manipulating the market to their own short-term advantage by temporarily starving it of gold.

This has been vigorously denied by both the Chamber of Mines and the Reserve Bank, yet neither are able to provide convincing explanations for a number of curious factors.

The world market view has been formed against a background of the following circumstances:

● Although there is an overwhelming demand for gold, the flow of gold from South African mines reaching world markets has been reduced recently from the region of 90 000 ounces per day to between 50 000 and 25 000 ounces.

● Dealers are amazed that the IMF bullion sale this week was at a record average price of $280,39 — far above February's previous high of $242,53 — when the quantity on offer could reasonably have been expected to have, at least, steadied the price.

● The authoritative Consolidated Gold Fields annual report on the gold market suggests that the gold price will not perform this year as it did in 1978, although the average price for the year will be higher.

● There is widespread belief that the Chamber of Mines, when giving evidence to the De Kock Commission, argued strongly that the marketing of this country's gold would be handled to better advantage if the industry itself, rather than the Reserve Bank, were responsible for it.

● There has been telling criticism of the Reserve Bank's marketing policy from foreign bankers experienced in the gold market.

● The Reserve Bank no longer has any formal agreement with the IMF to maintain an orderly sales policy when disposing of the country's gold production.

● The price of gold has been increasing, despite the fact that the US dollar is firming in terms of almost every other major trading centre. This is contrary to the old truism that if the dollar price falls the price of gold will rise.

In view of all this, European bullion dealers are adament that South African mining houses are experimenting with a more flexible gold sales policy which has contributed, in no small measure, to the sharp rise in the sale of gold bullion in recent weeks.

They believe the Reserve Bank has been a willing seller, but has not received sufficient gold from the mines.

They are concluding, therefore, that the mining houses are taking advantage of the Reserve Bank's regulations enabling the mines to hold gold for a month in the pipeline.

With delays of one or two weeks at the Rand Refinery, the houses have the opportunity, dealers believe, of starving the market of significant amounts for another week or two.

They point out that, if the mining houses are aiming to manipulate the market, what they have done recently is in sharp contrast to the normal practise of the other major producer the Soviet Union, which has tended to hold back sales when the price was under pressure and increase the amounts on offer when the price was rising.

At present price levels the gold market is considered by some experts to be extremely unstable.

Gold marketing and production experts in Johannesburg find it difficult to explain the reduction in the amount of gold reaching world markets.

They know of no concerted efforts by the mines to withhold production from the market in an effort to increase the price.

They do explain, however, that at this time of the year, in order to modify earnings for tax purposes, it is not uncommon for the mines to hold back a little of their production.

Nor have they been able to identify a significant fall-off in the Rand Refinery's throughput.

They point out that there are times when the Reserve Bank itself, will hold back on the amount of gold it allows to reach world markets.

But the Reserve Bank's official spokesman, Dr Braam van Staden, denied emphatically, on Friday, that the Reserve Bank's marketing policy had changed or that it had in any way tried to force up the bullion price over the past few weeks.

While there is obviously a short term earnings advantage for the mines in manipulating the market as they are accused of having done, they would, nevertheless, be introducing a major instability into the market.

(79) 10/6 [illegible] 79

Gold dips as $300 forecast by year-end

LONDON. — The gold price eased in London yesterday. It was fixed at $277,75 in the afternoon and at $278,90 in the morning. Monday's second fixing was $282,35.

Profit-taking continued and the afternoon fix was in line with lower US opening levels. The steady dollar contributed to the easier tone of gold.

After the fix, gold recovered slightly to $277,70/$278,20.

Gold futures opened sharply lower on the New York Commodity Exchange and the International Monetary Market.

IMM dealers said carryover selling was encourged by the $3,45 drop in London spot prices and the steady tone to the dollar.

THE AVERAGE second fixing for the year to date is $244,5. The average for the first quarter was $238,1. The current running average for the second quarter is $253,57. The highest fix for the year was $282,40 on Tuesday and the lowest was $216,85 on January 15.

Prices on the IMM opened $3,30 to $4,40 lower and Comex opening trends were off $2 to $5,70.

Gold dropped the equivalent of $1,29 in Hong Kong to $278,14 from Monday's $279,43.

In Montreux yesterday, Mr Robert Guy, director of N M Rothschild & Sons, said he maintained a bullish view of the gold market, and believed the price could rise above $300 in 1979.

Mr Guy told a world gold conference there was an increased speculative element behind recent prices increases, and he recommended caution at current levels.

He attributed the rise to Opec oil pricing, a reduction in US Treasury and IMF auctions, an end to Indian auctions and increasing inflation. Inflation in hard currency countries was forcing some holders of marks, Swiss francs and yen to sell to finance purchases of gold.

Gold investors were encouraged by indications that central banks were reassessing the role of gold in the international monetary system, and he mentioned as proof of this the reactivation of gold reserves in the European Monetary System and the British Goverment's decision to revalue its gold reserves.

He criticised central banks for failing to explain their attitude publicly, but said the strength of the market must owe something to increased activity by central banks.

There seemed to have been a significant reduction in industrial demand this year, and he estimated it at 5% to 10% down in Europe, lower also in Japan, mixed in the US and higher in some areas of the Far East.

CLOSING prices: London $278,375; Paris $291,95; Frankfurt $278,85; Zurich $278,625; Hong Kong $281,30.

The dollar staged a slight rally in Tokyo yesterday from its losses of 24 hours before. The dollar closed at 219,40 yen, up from Monday's 218.825 Yen and also higher than the 28,20 yen low to which it sank to in early trading yesterday.

In London, sterling firmed ahead of the UK Budget. The dollar held steady during moderately active mid-session trading.

Sterling drew strength from operators buying back after having sold short heavily around last week's UK trade figures, as well as on European buying interest during the morning, particularly from Switzerland.

The dollar remained firm and little changed from its New York closing levels, and was possibly helped by a slightly easier yen.

The yen was slightly easier at mid-session compared with the opening on continuing concern about the impact on the Japanese economy of oil supply shortages and price rises.

The yen may have been undermined by news of a 1,6% rise in Japan's May wholesale price index and a sharp rise in imports during the month.

The Canadian dollar, under pressure since the general election, firmed fractionally, although there wre no fresh factors to explain this. — Reuter.

SA gold output to peak in 1985, then slip

RDM 14/6/79

MONTREUX. — **South Africa's gold production was expected to rise from 700 tons a year at present to about 750 tons by 1985, and thereafter to decline to about half the present output, Mr Tom Main, chief economist of the Chamber of Mines, told the Financial Times world gold conference in Montreux yesterday.**

He said: "Based on existing circumstances, industry forecasts are that the present annual output of about 700 metric tons must be sustained through to the mid-1980s, perhaps rising to around 715 metric tons in 1979 and thereafter to about 750 tons by 1985.

"This trend is likely to result from the expansion of certain producing mines plus additional production from new mines currently being opened which would more than counter-balance any decline in output from some of the older mines. Thereafter most commentators consider that a fall-off in output could result, declining to about haf of present output by the turn of the century."

Estimates of ore reserves were always problematical because of the many factors which could influence them in one direction or another.

The US Bureau of Mines estimated them at 580-million Troy ounces, or 17 040 metric tons, 50% of total world reserves, which was similar to the estimate of the South African Minerals Bureau.

Current estimates of ore reserves by South African gold producers, as published by the Chamber of Mines in its Quarterly Analysis of Working Results, were conservative because they included only fully developed or blocked out reserves for current mining calculated at relatively low gold prices.

"The logic of adopting what might be considered an excessively conservative price is, of course, the fact that the gold price fluctuates considerably and by so doing the overvaluation of ore reserves at any one time is avoided.

"Many figures are bandied about concerning South African gold ore reserves, but inevitably any figure is dependent on the price to cost relationship of mining the ore.

"Bearing this in mind, large reserves of gold are undoubtedly still availablein South Africa."

The possible trends in South African gold production could, however, be reversed by a dramatic rise in the gold price, a drastic turnaround in operating and capital costs, or the discovery of a major new goldfield.

Although considering the discovery of a goldfield unlikely, Mr Main said: "My intuition tells me to be wary of adopting a completely negative attitude as circumstances often change dramatically, as has happened on more than one occasion."

Mr Rudolf Schriber, head of Credit Suisse's precious metals department, said the 1979 average gold price would exceed last year's level and would probably reach more than $240 an ounce.

He says auction sales will be a decisive factor in bringing an expected record expansion of 1979 gold supply to close on 2 000 tons.

But this will be counterbalanced by a small increase in total industrial demand. An estimated 400 tons remain for investors and stockpiling requirements, exceeding the previous year's supply by more than a quarter.

International inflation is at the root of the recent gold price rise. He believes the risk of a price decline is limited because no stabilisation in major political hot spots can be expected in the near future.

Any bearish speculative reaction is likely to be countered by a renewal of industrial demand.

Gold's strength lies in long-term speculative operations and is determined by the scarcity of gold.

Short-term prices are dominated by the influence of forward markets, with the long-term trend being determined by deeper-lying market forces.

In the coinage sector, he sees a decline in Krugerrand production this year, which will be offset by renewed demand for US and Canadian series. — Sapa-Reuter.

Gold price to outpace inflation gallop

(79)
RDM
14/6/79

MONTREUX. — An assessment of all the factors involved over the longer term "leads one to believe that the gold price will rise at a faster rate than the global rate of inflation," said Mr Main. This would be the case "particularly if the demand from the troubled man in the street continues to rise."

He estimated some of the "many and complex" factors influencing the gold prices as:-

- The freedom of central banks to buy and sell gold on the market.
- The reduction in the US Treasury and IMF auctions.
- The continuing strong industrial demand for gold.
- The strong investment and speculative demand for gold resulting from economic and political uncertainty as well as currency instability worldwide.
- The political uncertainties which continue to exist in the Middle East, the Far East and other areas.
- The diversification out of the dollar into other forms of investment.
- The growth in the futures and options markets.
- The growth in the popularity of bullion coins, particularly the Krugerrand.
- The acceptance to an increasing degree, particularly by investors in America, that gold is a prudent addition to a portfolio and the consequent moves by the banking community to introduce gold certificates and passbook gold accounts.
- The establishment of the European Monetary System with the European Currency Unit backed, inter alia, by gold reserves.
- The oil price rise and its implications for almost all countries.

"An assessment of all these factors and many more besides, leads one to believe that the gold price will rise at a faster rate than the global rate of inflation, particularly if the demand from the troubled man in the street continues to rise."

Golds slump on JSE as New York offloads

(79) 14/6/79.

By ELIZABETH ROUSE

HEAVY overnight liquidation of gold shares by New York caused a sharp slide in Diagonal Street's gold sector yesterday, and other adverse factors weakened sentiment across the board.

Johannesburg brokers have been expecting large-scale profit-taking from New York where prices of South African gold and other mining shares have climbed by 45% over the past two months.

It is hoped that American liquidation is mostly out of the way. But gold shares came under heavy pressure yesterday as there was no take-off from either London and Johannesburg.

In addition, platinums and mining financials, which are quoted in sterling terms, came under pressure because of the lower investment dollar premium. This is a factor which Johannesburg will have to live with as the investment dollar premium is phased out.

London will be a reluctant buyer of overseas equities until the investment dollar premium disappears. The reason is simple: why buy overseas equities now at a premium and lose out on profits to the extent of the premium?

The disappearance of the premium should stimulate London buying of overseas equities. If, at that time, Johannesburg is considered a healthy investment area, Diagonal Street should benefit from increased equity interest from London.

The easing of the Britain's control on direct overseas investment — up to £5-million for a single investment — should also boost investment through the financial rand in South Africa, once again depending on the economic climate.

In general, Johannesburg has reached stalemate in all sectors of the market. Coals and industrial leaders were on offer across the board, but there were no takers at lower levels.

Either investors are sitting on the sidelines until a trend is established or the coming R500-million Sasol issue is causing a heavy overhang and inhibiting institutional interest in other equities.

De Beers fluctuated narrowly on financial rand considerations. The counter was reasonably steady at 830c as the financial rand stayed at 89,5 US cents.

Palamin went against the metals downtrend, gaining 20c to 995c after its recent sharp decline.

Implat and Rusplat were off 7c and 10c respectively, but Lydplat held steady.

Cons Murch shed 15c to 575c. Gefco eased 5c.

Randfontein slid 200c and falls of 100c were shown in Durban Deep, Winkels, Harties, Freguls, President Steyn and Kloof. Among lower-priced counters, Venters came off by 55c.

West Drie was the only gold share to respond to a good dividend announcement and put on 75c.

Anglo came off 10c as did Unicorp, the Anglovaal counters lost 25c, GFSA came off 50c and Amgold declined 140c. Other mining finance declines were in the 5c to 10c range for smaller counters.

Barlows, SA Brews, M & R, Grinaker, Kohler, banking leaders and other institutional favourites drifted down in the 5c to 15c range. The clothing, furniture, stores and engineering sectors all came under fire.

Gold steady after profit-taking

RDM 14/6/79

LONDON. — The gold price steadied in London yesterday afternoon after a spate of profit-taking in the morning. The afternoon fixing was $276,60 and the morning fixing was $276,10. Tuesday's second fixing was $277,75.

Dealers believe gold has peaked temporarily and that the price could move down about $2 in the next day or two.

Yesterday afternoon's rise was seen as a reaction to Monday's record $282,40 morning fix. Firmness yesterday afternoon was further spurred by buying interest in New York.

After the fix, dealers quoted $277,30/$277,80.

US gold futures were mixed after opening as much as $1,30.

Comex and IMM futures ranged from 40c gains to 50c losses. Earlier selling stemmed from a stronger dollar.

NEIL BEHRMANN reports that London dealers expect an increase in Krugerrand demand in the UK now that coin import restrictions have been lifted.

Mr Robert Guy, director of N M Rothschild, said that the high gold price and strength of sterling could be inhibiting factors.

Mr Christopher Glynn, of Consolidated Gold Fields, said there could be distribution problems and it would be interesting to see whether clearing banks, such as Barclays and Midland, would market the coin.

A spokesman of the Chamber of Mines who was at the Financial Times gold conference in Montreux said that UK Krugerrand imports could offset the expected decline in Germany.

Value added tax of 13% is likely to be introduced in Germany from the beginning of next year.

Krugerrand sales in May were about 550 000 — higher than in the previous few months. Nevertheless it was expected that total sales would be lower than the record 6 100 000 coins of last year.

Mr Guy said that since Krugerrand imports were banned in 1975, the premium on the coin had risen to as high as 25%. This year in anticipation of relaxations the premium fell from 15% to around 4%.

Middle Eastern central bank investmet buying of gold is likely to increase in the 1980s, but at prices above $250 fabrication demand is falling in the area, according to Mr Timothy Green, consultant of Consolidated Gold Fields.

Middle Eastern central bank gold holdngs are miniscule compared with the gold reserves of industrialised nations. Saudi Arabia holds only 100 tons, Kuwait 80 tons and Egypt 85 tons. Algeria with 200 tons and Lebanon with 325 tons have a greater proportion of gold in thir reserves.

Total gold reserves in the Middle East are only 1 300 tons — less than the holdings of Belgium and half those of Switzerland.

Mr Green says that Middle Eastern investment and speculative demand have increased consierably.

Mr Green says that when the Arabs buy significant amounts of gold they do so through Swiss and German banks.

In the past Middle Eastern consumption accounted for 20% to 25% of total gold sales.

In 1976 there was extensve buying for gold fabrication when the price was depressed. At prices above $250 demand fell and at above $280 there should be profit-taking and some Middle Eastern gold will go back into the pipeline.

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Golds slump on JSE as New York offloads

(79)

14/6/79. RM

By ELIZABETH ROUSE

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WEEN STRUCTURAL FACTORS

gold mining industry and problems ck mineworker, it is important to make nction: on the one hand, there are which shape the life and perceptions rker, such as the migratory labour ers and rigours confronting an in the gold mining industry - factors short to medium term, not a great deal can be done by the mining industry itself. On the other hand, however, there are non-structural factors about which something can be done in the short to medium term. In our recommendations we shall concentrate on these.

RECRUITING AND INDUCTION

Men come to mines primarily for money, but, significantly, the increase in wages has made a difference to the position of the miner in Lesotho: the job has become more acceptable, dignified and respected.

Golds firm, industrials carry on easy

15/6/79 Rdm

By DON WILKINSON

ALTHOUGH gold firmed towards \$280, trading in gold shares on the Johannesburg Stock Exchange yesterday was moderate, accompanied by a tendency for prices to rise, particularly on recent dividend considerations.

Heavyweights like West Driefontein ended the day 150c better at 5 325c, and East Driefontein was 40c higher at 1 580c, with their possible involvement in a mine acting as a further spur to the price movement. Doornfonteins were weaker.

Mining financials moved with the generally upward trend in golds, with GESA again setting the pace with a 100c gain to 3 925c. Coal shares tended to ease, though Amcoal managed a 35c rise to 1 875, but Tavistock was 25c off the pace and coal-biased T C Lands was down 35c at 3 450c.

An easier financial rand, which seems in the past day or two to have cooled off in line with the weather, left De Beers looking slightly firmer on Johannesburg and overseas demand, but the rise in the free-market price of platinum, combined with the fall in the financial rand did nothing for platinums which lost ground, largely on lack of market interest.

There was little or no interest in coppers, although Messina managed a marginal rise of 2c to 182c, and other metals and minerals lacked shine.

Industrials continued their easier course, with investors still considering the potential impact of fuel cuts and higher prices. The falls in most sections were again confined to 5c to 10c, with food shares and stores shares coming most under pressure.

Here it has to be remembered that most industrial sectors already have a good year to 18 months of trading under their belts, and that it will inevitably be some time before today's fuel-shortage pressures begin to show up in industrial companies' profit and loss accounts, and possibly in their dividends.

Much can happen in the near future to alter the prospects for industrial companies here — not least the Opec meeting in Geneva which could make or break prospects for the Western economies.

And looming over the current depression in industrial equities is the forthcoming Sasol R500-million issue. Whether the institutions are out of the market and thus keeping their powder dry, or whether they are liquidating existing investments and likewise contributing to the weakness in industrial share prices is a matter for some debate in Diagonal Street.

But Sasol, whatever the institutions may be doing, is a contributory factor to the current comparative malaise among industrial shares.

- 2 -

S. 2 (Cont.)

1. The revised report eliminates the effect of increased production costs as they are not controllable by the branch manager. Other comments:

2. Increased ... increased prices.

3. The incre... gets may have caused the decrease in volume ... these have a much higher marginal income r... it might have been better not to increase ... sider reducing the price if it will stimulat...

4. It seems ... has been a successful promotion of gadgets ... spite of the increased price, but these ha... w marginal income ratio which, combined ... volume of widgets, has resulted in an ad...

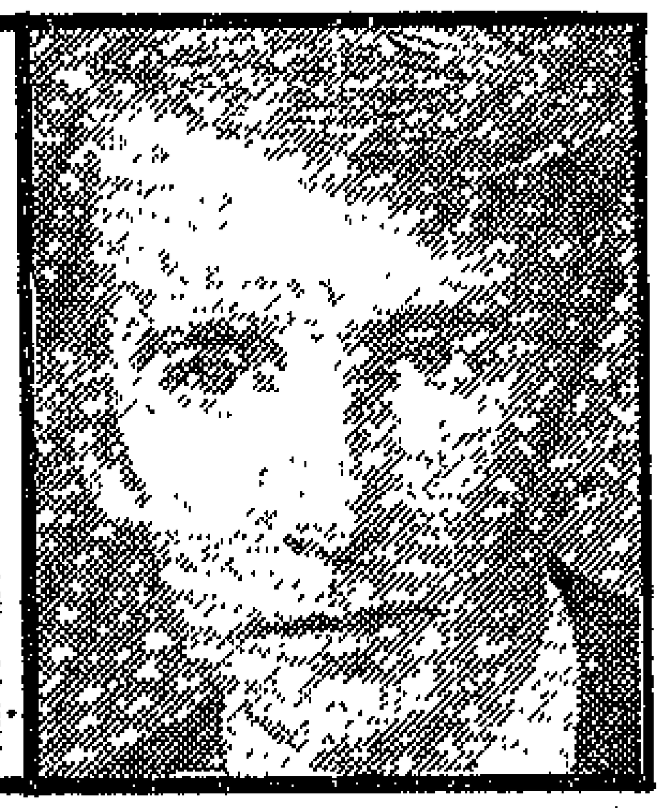
5. Increase ... is reflected in the 126% increase in trave... nt, and the 28% increase in office expense.

Soaring gold price is good news and bad for South Africa

79 16/6/79

Be it Johannesburg or London, Tokyo or Timbuktu, the topic in clubs and offices is the same. With fear escalating by the hour over the health of world economies and with dire warnings about the rate of inflation, the conversation has turned to gold.

Colin Campbell in the market



Everybody is looking for an exit from inflation. And a gold price of 300 dollars an ounce well before year end which six months ago was just a dream is now a very real probability.

Though there is some cause for South Africans to welcome this prospect of a 300 dollar an ounce gold price, there is also cause for sadness.

For it demonstrates that inflation is out of control. As laid out in sombre warnings from the BIS meeting earlier this week, the threat of an oil price explosion is likely to push many to the brink of bankruptcy — not just individuals, but nations.

World inflation is now assuming terminal cancer proportions. And unless it is brought under control, there can be no currency stability — a prerequisite for any kind of world prosperity.

The rush for gold per se has been well demonstrated by the heavy applications for recent auction offerings, though the rush for gold shares is as yet only a trickle.

But with evidence mounting daily that inflation is still moving ahead, today's trickle of interest in gold shares may soon turn to a flood.

London stockbroker James Capel gives a view on why clients have been buying gold shares. The firm's main points include:

● **They like the yield:** Despite recent rises in the gold share market prospective yields are still attractive. We are now in the June dividend reason, and clients now have an opportunity of buying three dividends in the space of 13 months.

West Drie and Harmony are two favourites at the moment, with prospective returns over the next 13 months on purchase price of just short of 30 percent.

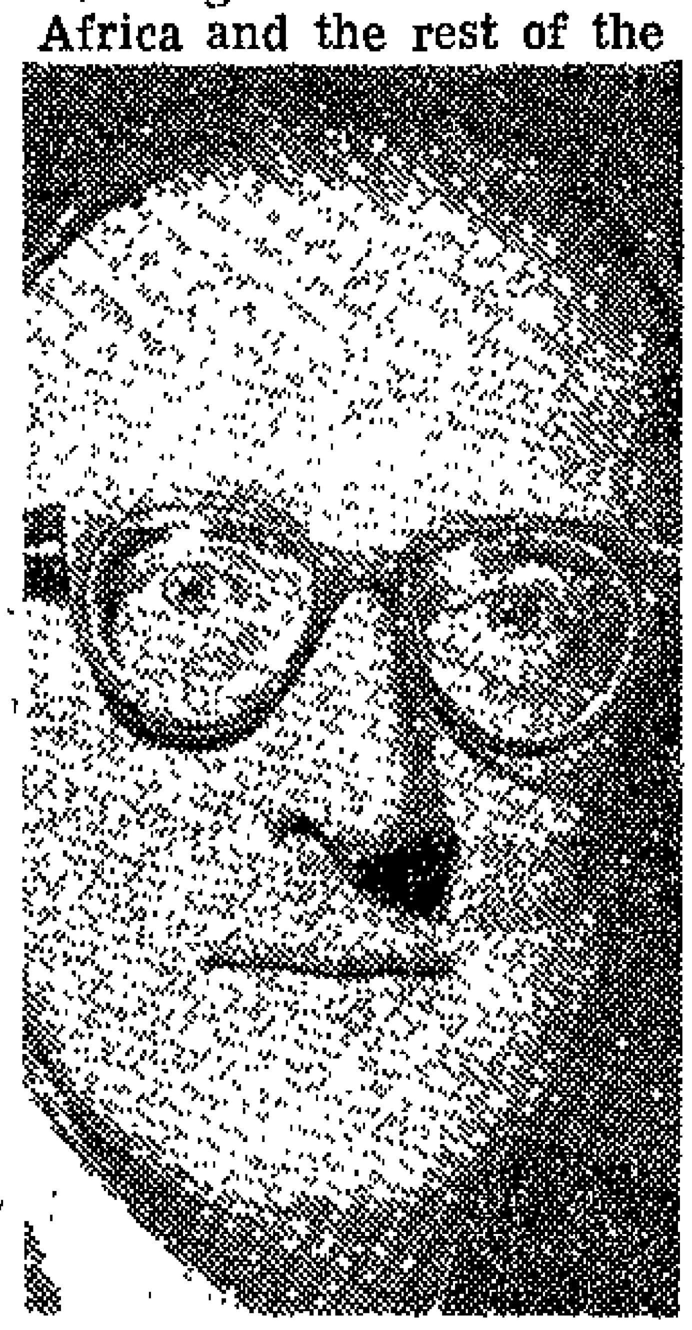
● **They think the market looks cheap when compared to the 1974 highs:** The profit margins of the gold industry as a whole in the March quarter of 1979 were some 10 percent higher than the profit margins in the best quarter of 1974, yet the gold mines index in dollars is still only some 40 percent of the levels it reached in 1974.

● **They think the political risks of investing here may have been over-discounted.** In the last four years Western policies towards South Africa have been very hostile and investors have been under great pressure to reduce their commitments to that country.

The combination of Mr Young and Dr Owen was enough to frighten the living daylights out of the investing public — so much so that it became the conventional wisdom to require a four- to five-year purchase of dividends.

The market seems now prepared to buy gold shares on a 5/6-year purchase of dividends.

The appointment as Foreign Secretary of Lord Carrington, who was previously a director of RTZ and who is not unfamiliar with the problems of Southern Africa, makes investors both here and there rather more confident that a better understanding between South Africa and the rest of the world may gradually emerge.



Lord Carrington . . . a better understanding with his RTZ background.

● **They see a reduction in the supply of gold to the market.** The reduction in the sales of US Treasury gold at their monthly auctions from 1,5m ounces to 750 000 ounces, following the improvement in the dollar, encourages our clients to think that the Americans may well decide to stop their gold auctions altogether. After all what is the benefit to the Americans to continue selling their gold to other central banks.

The more they sell, the more entrenched gold becomes in the monetary system. American gold sales have resulted in wider central bank gold ownership. The more central banks who have a vested interest in a stable gold price, the better it suits investors in gold shares.

South Africa produces some 1.8m ounces of gold per month, so Treasury sales of 1.5m ounces per month was a huge additional supply to the market — a supply that was impressively well absorbed. Without that supply, how is demand to be met without a further increase in the price?

● **They like the behaviour of the Financial Rand Discount.** The Financial Rand discount is a barometer of investment confidence in South Africa. Since the new Financial Rand was introduced in March 1979, following the Debok report, the discount has narrowed from 42 percent to 28 percent. Some of our clients think there is further scope for a narrowing of the discount.

The rise in the Securities Rand since January 1979 has contributed some 50 percent of the market's rise of 60 percent.

Certainly it is true to say that interest in gold shares has increased very considerably in the last two months and is still growing. We look for some consolidation after the recent rise but many shares are still not reflecting the current gold price.

Gold takes dip in London

LONDON. — Gold was fixed at $278,00 in London yesterday afternoon, down from $279,90 in the morning fixing and down from $280 at Friday afternoon's fixing.

Gold dealers reported that trade was thin.

Market sentiment was dampened by the firmer dollar and reports that Saudi Arabia was poised to increase oil output but was awaiting the outcome of the OPEC talks later this month.

Selling was light and not from any specific source, dealers said.

The indications for the day were set in the United States where markets opened weak and the metal was fixed close to its lowest point in a day which had only seen a two dollar trading range.

The dollar firmed in moderate trading helped by Swiss Central bank dollar purchases, dealers said.

They said the market remained confused as it digested news of last week's money supply rises and United States banks' prime rate cuts.

Operators awaited further United States indicators this week to assess the proximity of an American recession.

Dollar sales in New York last Friday were partly prompted by so far un-substantiated American rumours that Switzerland was about to cut its negative interest rates on foreign deposits.

Swiss National bank dollar purchases yesterday were reported to counter interest in the Swiss franc arising from the rumours and to maintain a close relationship with the mark.

Dealers said the market was nervous and awaiting a lead from the opening of United States markets, adding that commercial interest in marks was to some extent stemming from the dollar's rise.

Sterling remained on the sidelines.

Sea oil supplies —from January 1 it could have direct control of 12½% of all North Sea production by taking royalty in kind — it is still committed to cutting UK oil consumption this year by at least 5%.

According to the Departme of Energy bulletins on UK ergy trends, total deliveries oil products during the three months of the year ally increased by 5,7% o same period last year to

Most experts say gold is overdue for a reaction

(79) 19/6/79
R. Bern

By NEIL BEHRMANN, of Business Mail's London bureau who attended the Financial Times world gold conference in Montreux last week

WHAT PRICE after the sharp run-up in the first six months of the year?

The impression from Montreux was that most experts believe gold is overdue for a reaction.

Gold has appreciated by $40 — or 17% — in under two months, and delegates said it was finding it hard going above $280.

Russia is a heavy seller above $280, and more gold will come from South Africa at the end of the month.

The Reserve Bank has confirmed that it will not withhold gold from the market.

This will mean that the gold held up in the pipeline from mines to bank is likely to be sold soon.

Mr Robert Guy, bullion expert of N M Rothschild, said there had been a significant reduction in industrial demand this year.

Mr Timothy Green, Consolidated Gold Fields consultant, said that above $250, fabrication demand was declining in the Middle East.

In a range of $280 to $300 he expected there would be dishoarding and that gold jewellery would be sold.

This gold from the Middle East would find its way back to the market and would add to overall supplies.

Mr E Gasser, managing director of J Henry Schroder, Zurich, said gold was a good long-term investment, but that the price was vulnerable in the short term.

He produced a chart showing that using 1914 as a base, gold was now worth $150 on the basis of US inflation in that time.

With 1934, as a base the price would be just under $200. One would assume from this graph that the rock bottom price would be around $200.

The price has run too far ahead of the long-term price trend.

Mr Charles Stahl, of Green's Commodity Market Comments, said that the first principle of successful trading in gold, or any other investment medium, was to buy into weakness and sell into strength.

He said that most traders were mesmerised by the increases in the price of oil and believed that on June 26 at the Opec meeting in Geneva, a new jump in the price of oil would be announced.

"The market logic says that because there was a lot of Mideast buying of gold recently, those new buyers must have already gotten the word of how substantial the increase in the price of oil will be," said Mr Stahl.

"There I would like to introduce a word of caution and remind you of the old Wall Street adage: Buy on rumour and sell when the news is confirmed."

Mr Stahl expects that the peak will coincide with the Opec conference and that any move in gold above $280 is unjustified.

On the swing theory, the price should react to a range of $243 to $253.

"There is no shortage of gold and there will not be for decades," says Mr Stahl. The above-ground gold hoard is more than 3 000-million ounces. "Don't misunderstand me. The price of gold can be manipulated, and it often has been in the past. But to corner the market would take money in amounts that have not yet been printed, even using today's high-speed money-printing presses."

One thing not discussed by any of the speech makers was the possibility that Wall Street is one the verge of a major boom.

I canvassed about 30 delegates and asked them whether Wall Street had bottomed out because of these factors: price/earnings ratios of the components of the Dow Jones index were the lowest in three decades and dividend yields the highest; values were better than they were at the bottom of the Wall Street crash in 1974; blue-chip shares were standing at wide discounts to their net asset values and about a dozen of these counters were in the Dow Jones index; majority investment opinion was bearish; publications like the Wall Street Journal and Barrons and Forbes estimated that $30 000-million to as much as $200 000-million was in cash or short-term money market instruments because most American institutions were pessimistic; and the market refused to fall on bearish news.

With the exception of Mr Stahl, all the delegates laughed off Wall Street and the implication on the price of gold and the dollar.

Mr Stahl pointed out the American economy would be helped by huge energy expenditure on conversion of coal into oil and the exploitation of oil shale.

The other delegates believe that after the reaction, the gold price will rise to $300.

Alhough $300 appears significant in price terms, in percentage terms the appreciation would be only 7% from current levels.

GOLD FUTURES

Gu 22.6.79

A growing factor

In the past four years, US futures trading in gold has grown tremendously, spurred by hedgers and speculators wishing to cash in on bullion's strength. In fact, it has grown to such a degree that some commentators feel that futures prices now play a significant role in setting the price of bullion on Europe's spot markets.

Futures trading in gold is relatively new, and it was only in November 1972, after gold had suddenly risen to $70, that the first exchange was established in Winnepeg, Canada. Since then, five markets have opened in the US following the lifting of the prohibition of gold ownership in the US in December 1974.

So far, the New York Commodity Exchange (Comex) and the International Monetary Market (IMM) have emerged as leaders-much to the chagrin of the Winnepeg Exchange north of the border. Futures trading is now an important feature of the gold market. Prior to 1975, daily volume averaged a mere 140 000 oz. Now it is closer to 4m oz, representing several times the volume of spot transactions; and contangos (where futures prices exceed spot prices) and backwardations (spot higher than futures) are now familiar concepts in bullion trading.

In Europe, however, futures trading is still limited, mainly because no organised exchanges exist and because there is almost invariably physical delivery, which is not the case in the US. Consequently, much of the action there is concentrated on the options markets - which is only recently taking hold in the US.

Three different sizes of contracts are traded in the US; a 1 kg contract on Comex and the Mid-American Commodity Exchange; a 100-oz contract on the IMM and a 3 kg lot on the Chicago Board of Trade. More recently, permission has been granted Comex to trade 400 oz futures.

Since contracts are purchased on margin, the initial cash outlay is not that awesome. Requirements run from $500 per contract on Comex to $1 300 on IMM. One London house, by contrast, requires a margin of at least 25% for both spot and forward transactions, while a Swiss bank asks for at least 30% down.

Despite these low margin requirements, the domain of US futures trading is primarily for the large and sophisticated investor. One exchange, for example, requires a net worth statement of at least $50 000 for a married person to open an account ($25 000 if he is single).

And to help keep the lid on the market, there are minimum price fluctuations on the exchanges ranging from US20c an oz on Comex to US1c on the Winnepeg Exchange. Daily maximum fluctuations vary from Winnepeg's $5/oz to IMM's and Comex's $10/oz.

It is notable that only 5% to 10% of all futures traded result in physical delivery of the precious metal. Obviously, speculators and hedgers account for most market activity — and to some degree at least influence bullion's performance in Europe.

GOLD CONFERENCE

Europeans reject US line

(79) FM 22/6/79

South Africans encouraged by gold's move to the $280 area might find it strange that some people overseas can still proclaim that bullion will be an unimportant factor in the world financial order of the Eighties. But that is the official line put forward by Richard N Cooper, US Under Secretary of State for Economic Affairs, at last week's conference on gold, organised by the London *Financial Times*, at Montreux.

Though the member countries of the European Monetary System are using gold as well as currencies to back the European Currency Unit, Cooper put forward the view that gold is now effectively demonetised and will never be remonetised.

The present gold component of official reserves, he claims, is merely an appendix remaining from now obsolete monetary systems. The EMS makes no provision for interbank settlements in gold, though it may be used as collateral against interbank loans. Central banks are unlikely to return to gold convertibility and the metal is too volatile an asset to form the base for a stable monetary system. And, perhaps most importantly, few governments are prepared to accept the deflationary implication of the discipline of a return to a gold standard.

That may be true for central banks, but what about individuals, and the central banks of some Opec countries, who reckon that gold's "volatility" is less of a drawback than the steady erosion of paper currencies?

N M Rothschild director Robert Guy implied that at this point they are unlikely to be impressed by the US's pronouncements on the metal. He reckons that by April the US Treasury could no longer ignore shifts in central bank thinking on gold's reserve role. As such it was probably glad to have had the opportunity of reducing its official sales.

Gold pour . . . where do the central banks stand?

US Treasury and IMF sales, as well as supplies of newly mined gold, have been comfortably absorbed by the market, with investment demand making up for any slackening in industrial demand as dollar denominated gold prices advanced.

What Guy now wants is an exposition by central banks of their positions on gold. The public has a right to know, especially as, for example, the UK has lifted restrictions on Britons dealing in gold and the Bank of England is steadily reducing the premium charged for newly minted sovereigns in a move apparently aimed at increasing ownership of the coin.

As he pointed out, recent strengthening of the dollar does not of itself point to foreign exchange stability. Inflation threatens even hard currencies and no-one, including central banks, can rely entirely on currency reserves or paper assets.

Adding to Guy's positive view on gold's future monetary role, Morgan Grenfell director John Forsyth saw little alternative for most central banks other than to place increasing emphasis on gold as a reserve asset. Implicit in that is an under-pinning of the gold price. Paradoxically, Forsyth sees a revival of

Contd. from previous page:

Speculation originally had it that all presently registered unions would not have to re-register — but that African unions seeking registration for the first time would have to pass stringent tests (*FM* March 2)

Another source believes that there will be new restrictions on unions which fail to pass the tests. It will be an offence, the source says, for an employer to enter into a written agreement with an unregistered union or to deduct members' union dues on its behalf.

Agreements like the unique one reached between Pinetown firm Smith & Nephew and the (unregistered) National Union of Textile Workers would thus be illegal unless the union succeeded in passing the registration tests

06 APR 1979

AFRICAN EDUCATION

Financial Mail

Building on the future

One of the most important but little remarked features of last week's budget was the allocation of R10m for the building of schools in African townships in the "white" areas. This is the first time the central government has allocated funds for this purpose, enabling the Department of Education and Training to make good its promises to build schools in the white areas (*FM* December 15 1978)

Until now, most urban schools have been built by administration boards, using loans from the Department of Community Development which township householders have then had to repay. In Soweto, for example, 38c is collected from each household each month on a school levy in addition to home and site rent. White schools, on the other hand, are paid for by the State

Education and Training's total budget is up 26% this year to R182m. This is the second highest percentage increase permitted by Finance Minister Owen Horwood (the Department of Statistics' is the biggest). Most of the rise goes on capital spending. And it is surely needed.

There is a backlog of 7 000 classrooms in the urban areas alone. Joubert Rousseau, Secretary for Education and Training, tells the *FM* that a new classroom costs about R7 000, so the backlog will cost R49m to wipe out at current prices. Providing classrooms for the increasing school population will swell the sum even more, Rousseau points out.

Of the R10m for 1979/80, R6m is earmarked for secondary community schools, and the rest for primaries. A further R250 000 is allocated as a rand for rand grant for schools in the new Ndebele bantustan.

The new schools will help the Department phase out the "platoon" system, in which the same buildings house two distinct schools — one in the morning and one in the afternoon.

Teacher training also gets a financial boost. The 1979/80 allocation is up R3,2m (89%) on last year's budget. Three new teachers' training colleges, at Mabopane, Imbali and Fort Beaufort, are among the main projects.

Union assets 'seized by angry workers'

Rand Daily Mail

30 March

By RIAAN DE VILLIERS
Labour Correspondent

MRS MAGGIE Magubane, acting general secretary of the black Sweet, Food and Allied Workers' Union, laid a complaint with the police at John Vorster Square yesterday in an effort to recover union assets which have disappeared under mysterious circumstances.

The assets — including all union records and a vehicle — have been removed from the possession of Mr S [illegible] Sikhakhane, a leading trade unionist who was sacked recently as general secretary of the union.

Mr Sikhakhane was to have handed over the union's assets to Mrs Magubane by 12 noon last Friday

Union Officials Accused:

MR Brian Williams, an electrician, and a member of the South African Electrical and Allied Workers' Union, said at the weekend that the wage promise made at last week's meeting of the union at Kensington, Cape, was unrealistic and seemed to him to be aimed at keeping the present officials and executive members in their positions after the next election due to be held some time in July.

Cape Herald · 7 April 1979

Herald reporters

At the meeting the secretary, Mr C Shield, had said that a new wage agreement was due to be signed in September, and that there was every hope that the minimum wage would rise from R2.35 an hour to R3 an hour.

Mr Williams, who was present at the meeting, said that in the present economic conditions he could not see how such

Another point which Mr Williams was concerned about was that the minutes of the previous meeting were incomplete in that what he regarded as an important question,

Asked on Monday to comment about the proposed R2.35 to R3 wage increase, Mr Shield retorted "That's rubbish".

He declined to comment on any of the other statements, saying that all

Labour

New group

gold's monetary role as a result of activities by the demonetisers rather than those of the pro-gold lobby. Demonetisation gained acceptability in a world of rapidly expanding trade following World War 2. But the concomitant reduction in tariff and non-tariff protectionism was not accompanied by less restriction on capital transfers.

In this environment, foreign exchange reserves were needed only to tide major trading nations over cyclical balance of payments downturns. But the days when current account balances were of prime importance have gone. Interaction of capital account figures is now seen as equally important, especially as the cost of maintaining current accounts in balance has grown greatly in terms of internal fiscal and monetary policies.

There is a growing demand from central banks for greater diversification of reserves — to hold dollars alone is not good enough. But structural trade surplus countries, such as West Germany, Switzerland and Japan, are resisting the use of their currencies as reserve assets. The threat to their current accounts is seen as too great.

At the same time, structural trade deficit countries, such as Britain, are disinclined to hold reserves in depreciating currencies, foreseeing problems when foreign borrowings need to be repaid. A third facet is the attitude of the Opec countries. They are prepared to swap oil in the ground for development funds, but can only absorb cash inflows gradually. This group is prepared to build up reserves for future deployment on development projects, but only if these reserves maintain their purchasing power.

For the moment, Forsyth sees gold as an important though inactive component of central banks' reserves. But with resistance by the hard currency countries to their currencies being used as reserves, the demand for diversification can be met only by a greater role for gold. Though gold is mainly the untraded part of reserves, at present prices it comprises 50% of reserves, with currencies comprising 45% and SDRs a mere 5%. Gold in reserves, says Forsyth, may currently play only a passive role, but it is not, as are currencies, someone else's liability.

Thus he believes it is now not a question of *if* central banks will revert to the use of gold as an active reserve asset but *when*.

As another speaker was quick to point out that time may not be far off, especially with European Monetary Union due to develop from EMS in two years.

The split on gold's monetary role between the US and the rest of the world is clear. Meantime, investors can almost take their pick between the choices of the metal, futures or shares.

Depending on the timing of purchases, according to Charles Stahl, president of Economic News Agency Inc., the metal need not have been an effective inflation hedge in recent years. Over the next 10 years, Christopher Glynn, author of Consolidated Gold Fields' publication *Gold 1979*, believes that the gold price should rise at an average annual rate of 4% in real terms. But as Stahl opines, if one is buying gold as a hedge, it is best to lock it away and not become bemused by day-on-day price changes.

Bullion and coins are attractive as medium-term hedges, but they may be less than attractive to active traders who have the option of dealing on share or futures markets.

Whichever way it is looked at, gold is fast emerging as the best store of value for countries and as one of the better inflation hedges for individuals. No doubt its price will fluctuate, with downward moves greeted gleefully by its detractors. But the last laugh, almost inevitably, will be with gold's supporters.

The message from Montreux is to buy on weakness and not be in too great a rush to sell on strength. Further price rises are just around the corner and injudicious selling would simply be playing into the hands of technical traders.

So why are there growing fears among JSE brokers that the bull market in gold shares has run its course? A parallel is starting to be drawn between the current position and the 1974 bull market, when high hopes for bullion were shattered by the realities of demand and manipulated supply. Brokers are, simply, less confident than overseas optimists that a sustained break of the bullion price above $300 is possible.

Some also fear that, irrespective of what happens to bullion, the gold share market has entered the classic third and final stage of a typical bull market. They even point to the general air of confidence as itself a warning sign (a paradoxical theory but one which, as those with memories of May 1969 will confirm, cannot be dismissed out of hand).

However, if one looks at the still relatively attractive yield pattern, the restrained volume of trade, and the fact that the *RDM* gold index is still well below its December 1974 peak of 460,9, the gold share market does not give the impression of being a tired old bull ready to lie down and die.

This, in spite of the fact that overseas buying in recent months has been inhibited by the narrowing financial rand discount. Expectations that the discount could be unlikely to narrow significantly further, plus the probable slowdown in the US economy and abolition of the dollar premium in the UK later this year, could see a revival of overseas buying.

If one does believe in the classical theories of the pattern of bull markets, there should be at least one big spurt of overseas buying before a major correction sets in. That is the danger sign investors should watch for; meanwhile, the risk of technical corrections apart, there could still be scope for useful capital appreciation in the gold share market.

Jim Jones Peter Pittendrigh/Michael Coulson

South African Associated Newspapers has presented several thousand rands worth of Financial Mails to the Defence Force for use in its libraries and for distribution among the boys on the border. In addition, servicemen will in future be able to obtain the FM at student rates — about half the cover price. The FMs were presented to the Chief of Resources of the SADF, Major-General Neil Webster, at a luncheon in Johannesburg this week. Thanking the chairman of SAAN, Ian MacPherson (left), and MD Clive Kinsley (right), General Webster said the magazines would be of great use to servicemen, particularly those currently engaged with their studies.

SA gold flow back to normal

79 RDM 27/6/79

By NEIL BEHRMANN

LONDON. — Bullion sources say that South African gold sales have increased after a shortage of deliveries in the past two months.

In May and the first half of June, South African gold sales dropped. Higher Krugerrand sales accounted for some of this shortage, but the impression in the bullion markets was that the mining houses had supplied less gold to the Reserve Bank to test the market.

The mines are entitled to hold the gold in the pipeline for a month and since this time has now elapsed, the gold flow from South Africa has increased.

Bullion dealers say the Soviet Union was a heavy seller over $280. They expect Russia to withdraw following the huge amount offered, but this could be for a short time. They suspect that Russia might be forced to re-enter if it sees signs of weakness in the market.

At current levels the gold price is sufficiently high for producer sales. Moreover, the Russian grain harvest has been disappointing and this is a further incentive to sell gold.

With the uncertainties over the outcome of the Opec conference, bullion dealers are not anxious to make any predictions. But in the current cycle, they expect a maximum price of $295 and a minimum support range of $260 to $270.

They expect there will be good news from the Tokyo economic summit. So in the short run, as one German banker puts it, "there is a 51% chance that gold will go lower and a 49% chance it will go higher."

He says: "Gold is in a critical stage, but I would be surprised if central bankers allow a replay of last year's currency turmoil."

Industrial demand has weakened and is expected to slow down further during the summer. But it is difficult to determine an overall trend because of the breadth of the bullion market.

An increase in Far Eastern demand could offset a decline in European demand.

Other bullion dealers sasy there are more people long on gold than those who are short. At current levels they describe the market as high, but are waiting for the US trade figures and consumer price index with trepidation. If all the bad news occurs with a large increase in the oil price, there could again be a run into gold.

The precious metals review of J Aron Commodities Corporation says that "time is running out on the United States business upswing and on the current commodity boom".

"The general economic climate later this year seems likely to become much less hospitable to strength in gold and other precious metals."

The firm says the real price of gold has increased by 50% over the past year. Jewellery use should be affected by the higher prices.

"Even if the reactions to price increases are much smaller than in the past, there may be scope for a significant downturn. For example, if a real price increase of 50% prompts an eventual 10% cut in jewellery use, that loss will amount to several million ounces."

However, "a variety of forces are now fuelling monetary demand, including persistent inflation, growth in Opec revenues, geographically expanding gold markets and the increasing acceptance of gold in the US as a valid everday investment medium."

If a general business downturn develops, "there seems virtually no chance of an extreme gold sell-off comparable to 1974 to 1976 when an unusually severe recession coincided with apprehension over the IMF sales programme.

"There is now powerful underlying support in the $200 area . . . And it is plain that if inflation persists at a two-digit rate, that underlying support will rise in a few years to $300 or higher.

"Like the US economy, the gold market is now at a late stage of cyclical advance. The seeds of reversal are now being sown.

"Yet the current upward momentum in gold may find further expression before the shadow of a business cycle deepens."

Since June 14 — the day before the latest bout of dollar weakness — gold has increased from $279 to $284. But during this period, the price has fallen sharply in marks, Swiss francs, sterling, yen and lira.

Gold lower as dollar firms

(79) Rdm 22/6/79

LONDON. — Gold was fixed at $281,45 in the afternoon in London yesterday. The morning fixing was $281,90, and Monday's second fixing was $283,85.

Gold eased in active trading yesterday afternoon to a low of $280,50/$281 as the dollar firmed on foreign exchange markets following statements from the US Treasury Secretary, Mr Michael Blumenthal, and the Aaudi Oil Minister, Sheikh Ahmed Zaki Yamani.

But the market rallied slightly in advance of the fix on news that the US consumer price index showed a 1,1% rise in May, which fuelled concern on US inflation.

The dollar strengthened sharply and sterling fell heavily in hectic and confused morning trading in London. The dollar strengthened on Mr Blumenthal's claim that the US would cut oil imports by the end of the year.

It also strengthened on news of statements by Sheikh Yamani which indicated the Saudis thought a $20 a barrel marker price for oil was too high.

Sterling fluctuated particularly violently, and in early trading it firmed to $2,1670/75, benefiting from its status as an oil currency amid uncertainty surrounding the Geneva Opec meeting.

But following the two statements, sterling fell heavily to stand at a mid-session $2,1410/20 and weakened further to $2,130/90 later. Its official trade weighted index fell to 68,8 from 69,1 at the opening.

Dealers said the dollar opened a little stronger in the absence of selling and with some central bank support.

Heavy dollar buying later firmed it to a mid-session 1,8577/87 marks and 1,6670/80 Swiss francs after its opening 1;8537/47 and 1,6475/85. It also firmed against the yen to 217,70/218,10 yen from its opening 214,65/75. The dollar fell to 212,50 yen in Tokyo in the morning. It closed at 214,625 yen, down more than one yen from Monday's 215,30. — Reuter.

Gold price drops in wave of US selling

79

Star 29/6/79.

By Michael Chester, Financial Editor

The gold price on world bullion markets was back on a yo-yo today as dealers and investors raced their slide rules back and forward trying to analyse the impact of the Opec round of oil increases.

Bullion spun downwards by 5 dollars an ounce in London in late deals yesterday as a wave of selling from the United States hit the market.

John Cavill reports that bullion dealers ascribed the first bout of American selling to the strong statement by the Western leaders at the Tokyo summit on energy conservation measures, plus the fact that the Opec increases had already been largely discounted.

Gold had held steady in the morning session with a fixing at 281,30 dollars. When the New York Commodity Exchange opened with hectic selling it fell sharply to an afternoon fix at 275,90 dollars.

A senior analyst at the James Capel stockbroking company was quoted as saying: "The Opec decision has come as a bit of an anti-climax.

"It provided no fresh stimulus for the gold price and we are now seeing a sell-off which could keep bullion quiet for the next couple of months."

However, as the business time clock moved the action to the US, gold pulled out of the nosedive and ended the New York session back at 279 dollars — no more than 45 cents down on the previous close.

A fresh bout of buying was apparently triggered by a new weakening of the dollar along with a re-assessment of the Opec repercussions on the US economy by adding fuel to the pace of inflation.

Later still, as the main action moved across to Hong Kong this morning, the price was holding at 279 dollars.

Mennonite Central Committee se Konferensie oor: 'Die Rol van Geskiedkundige Vredeskerke', Gaborone, Botswana. Verhandeling voorgelê oor: 'The Role of Churches in Promoting Justice in Southern Africa' (Oktober).

Konferensie van die Afrikaanse Calvinistiese Beweging, Potchefstroom (Oktober).

(c) Deelname aan Welsyns- Professionele en Openbare Organisasies

Die Direkteur het aktief gebly in die Suid-Afrikaanse Instituut vir Rasse-Verhoudinge as 'n lid van die Weskaap-Distrikskomitee, die Nasionale Uitvoerende Komitee en van die Raad.

Hy is Voorsitter van die Quaker Service Fund in die Kaap, die diensafdeling van die Godsdienstige Vriendekring (Quakers), wat gemeenskapsontwikkeling op die platteland en in die stadsgebiede bevorder ... gemeenthede van ... Sentrum.

Die Universiteit van Kaapstad het benewens 'n bydrae tot die bedryfskoste van die Sentrum, ook vir die Sentrum sedert sy stigting in kantoorruimte voorsien. Met die uitbreiding van personeel het ons die huisie op die laer

Mixed trend in golds

8/65 2/7/79 (79)

Gold counters were mixed to softer in dull trade on the JSE today despite firmer bullion indications.

The mixed trend was attributed to a large number of issues being ex-dividend.

Randfontein shed 250 cents to 5 450 (ex div) and Kloof was 80 cents lower at 1 470. Marginal issue Marvale lost 40 to 185 (ex div). Vaal Reefs gained 50 to 3 650 and ARF Lease 25 to 480.

Of 25 golds traded just before midday, 12 were easier and five firmer.

Mining financials were barely tested, though Sentrust posted a five-cent gain to 470. De Beers was three softer at 817 on local selling.

Implats and Lydplats were five and two cents harder at 385 and 110 respectively and Rusplat was 10 up at 270.

Collieries were quietly harder in places. Trans Natal put on 10 cents to 465 and Welgedacht moved up five to 325.

Against the trend Apex lost 50 cents to 2 200 (ex div). Tin issue Rooiberg fell 100 to 1 800 (ex div).

Of 94 industrials traded, 18 were higher and 24 lower.—Reuter.

navorsings-Fellows het aansienlik tot die Sentrum se program bygedra: dr Sheila T. van der Horst, afgetrede mede-professor van Ekonomie, U.K., en professor J.L. Boshoff, gewese Rektor van die Universiteit van die Noorde.

LIDMAATSKAP

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... tien persone wat gedurende die afgelope 10 ... lede van die Beheerraad was (* dui stigters-... ...an):

...essor E.V. Axelson
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...essor J.F. Brock
...S. Corder*
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... P. Duminy*
...ssor G.F.R. Ellis
... A.W. Habelgaarn
... V.E. Howes*
...sor M.F.Kaplan
Ds. W.A. Landman
Mnr G.K. Lindsay
Sir Richard Luyt
Professor S.J. Saunders
Professor H.W. van der Merwe
Mede-professor D.J. Welsh
Professor Monica Wilson

Gold in reach of magic 300 dollars barrier

Star 9/7/79

(79)

By Jeremy Morgan

Will the gold price hit the magic 300 dollars? As gold excitement continues, the men who make the world gold market work now say "yes" — and soon.

Such a dizzy peak would have seemed more than merely improbable less than a year ago, when 200 dollars an ounce seemed a watershed.

However, fingers could still get burnt. There remains a good deal more uncertainty about the metal's long-term prospects, and for some sound business reasons.

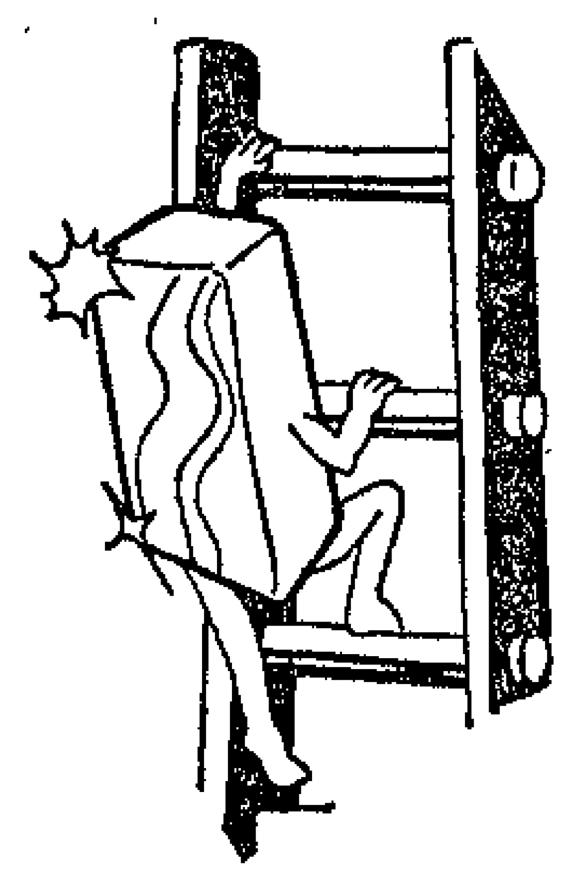
Within the last few days, as gold prices hovered around record levels on London's bullion market, a number of big names in the industry have publicly predicted that gold will continue the impressive ascent it has shown in the last few months and finally top that magic number.

SUPPLIES TIGHT

The analysts point out that gold prices have this year so far risen by around 25 percent, reflecting concern about world inflation, insecure currency values, energy shortages, political instability in highly sensitive regions of the world, and the actions of a number of influential international or government agencies.

Gold supplies have been tight in recent weeks, and are thought likely to remain this way in the short term. So there's is general agreement among the analysts that this upward trend will persist for now, fuelling further price rises.

Mr Robert Guy, a director of Rothschilds, has added his voice to those of the pundits suggesting that 300 dollars an ounce is not an unlikely target for gold prices before



1979 is over.

An average price of around 240 dollars for the year as a whole — given that gold stood at 225,50 dollars an ounce on January 2, and is currently hovering at about 290 dollars — indicates that prices will peak at close to 300 dollars.

The latest suggestion going the rounds in London bullion circles is that the IMF is likely to end its regular monthly gold auctions next year — which suggests that further cutbacks in auctioned amounts may happen between now and then — and that the US Treasury may also pull out of the market.

At the same time, British experts are privately predicting that supplies from South Africa — the biggest producer of mined gold in the world — are likely to remain steady at last year's level of 703 tons.

There is considerable uncertainty about the likely trend in future South African supplies, while Mr Robert Studner, head of the foreign exchange and gold department at Union Bank of Switzerland, thinks South Africa will keep to its present selling patterns and quantities — with perhaps a small increase over the next few years — other observers suggest that the South Africans might this year lift supplies by ten tons or thereabouts.

South African officials have recently denied that their country intends to hold back supplies in an attempt to manipulate the market, as has been suggested in some circles. However, without major changes in policy, it is unlikely to be South African adjustments which will call the tune on world gold markets this year.

An investment analyst with Consolidated Gold Fields, Mr Christopher Glynn, has forecast that US Treasury gold policy and Soviet offerings will be the key factors in gold supply to the market during 1979.

The two super-powers have been and will probably continue to be the most influential forces on the market. Of the two, the Soviet Union is likely to be the big unknown factor.

The Soviets have generally sold around 400 to 450 tons of gold, mainly through the Zurich market, but this has declined sharply to the point where one expert suggests Soviet sales might be down to 300 tons next year.

CONFUSION

The reason for the fall in Soviet offerings is not clear, although production difficulties are suspected. However, it is realised that Moscow sells gold to raise hard currency to buy the goods and commodities it needs from the West — so this source is unlikely to dry up drastically.

Nevertheless, the mere fact that no one really knows how much gold will be placed on the market by the Russians in the near or medium term future is enough to cause confusion on the market.

14

Mennonite Central Committee se Konferensie oor: 'Die Rol van Geskiedkundige Vredeskerke', Gaborone, Botswana. Verhandeling voorgelê oor: 'The Role of Churches in Promoting Justice in Southern Africa' (Lutchan)

3

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Gold prices set new highs as dollar weakens

Star 11/7/79

(79)

LONDON — Gold prices set new closing highs in Europe yesterday, and the dollar sagged on most overseas currency exchanges as both markets waited uneasily for President Jimmy Carter to emerge from Camp David.

Gold bullion closed in Zurich at a record 291,125 dollars, up from Monday's 288,375 dollars closing, but 25 cents below the peak reached there during Monday's trading.

In London, Europe's other big gold centre, gold closed at a record 291 dollars, up 2,80 dollars from Monday's closing.

The West Germany gold processing firm, Degussa, was quoted as saying the depressing effect of slack summer industrial buying would be more than offset by the worsening US trade balance and fears for the stability of the dollar.

Britain's pound sterling led the advance against the dollar, rising 1,73 cents from Monday to 2,2215 dollars as business closed.

Recent oil discoveries in Britain's North Sea fields and indications that British interest rates will stay high till autumn, were credited for the pound's strength.

Dollar trading was generally light and the selling pressure relatively mild. But in the slow market the dollar was vulnerable, and light buying support by European central banks was unable to halt the slippage.

Market sources said again that the foreign exchange market looked to President Carter for strong and decisive action to cut US energy consumption and dependence on foreign oil.

"The dollar will suffer badly unless measures are introduced that will convincingly have the potential to reduce oil imports in the medium to long term," said one Frankfurt dealer.

"Carter can't avoid the issue with minor details and jawboning — we've had enough of that."

The average London 1 500 gold fix for the year to date is 250,23 US dollars an ounce.

—Sapa-AP-Reuter.

Mennonite Central Committee se Konferensie oor: 'Die

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Biskop A.W. Habelgaarn
Mnr E.V.E. Howes*
Professor M.F.Kaplan
Ds. W.A. Landman
Mnr G.K. Lindsay
Sir Richard Luyt
Professor S.J. Saunders
Professor H.W. van der Merwe
Mede-professor D.J. Welsh
Professor Monica Wilson

THE RADIOCARBON CHRONOLOGY

The rates derived from the simulations have shown that the fission model provided the fastest rates of expansion. The fission model was also characterised by a lower rate of expansion for a si[illegible] the whole tradition. A comparison of the rates of [illegible] models with values derived from the radiocarbon chro[illegible] test of the appropriateness of the two models.

METHOD

Early Iron Age radiocarbon dates provide estima[illegible] which a site was occupied. Radiocarbon dates have a [illegible] associated with them and it was decided therefore, t[illegible] not be calculated directly from the dates and a curv[illegible] used. Linear regression analysis provided a best fi[illegible] from a least squares analysis (McCall, 1970), betwee[illegible] Some sites had more than one date associated with th[illegible] (Huffman, 1977) was used to provide a best estimate. [illegible] was used only where dates clustered and were unlikel[illegible] with pre Iron Age events (Huffman, 1977). If dates [illegible] recent than the earliest occurence of the Early Iron [illegible] not used in the analysis as the analysis was an attem[illegible] of spread of the Early Iron Age.

DATA

Regression analyses for both of the possible routes of expansion, Urewe to Silver Leaves and Kwale to Silver Leaves, were carried out. Three regression lines were calculated, the value for the expansion of the Urewe culture and the values for the two possible routes. In each case the earliest date was set at a distence of zero. The distance from this site to other early sites was measured. The regression line was then calculated and rates of expansion were derived from the results.

The sites and associated dates used in the present study are shown in tables seven, eight, and nine.

RESULTS

The regression line for the Urewe culture had a slope of 0,54 with the origin at 92 years (Fig.4). This gave a rate of expansion of 0,57 Km/year. The slope for the Urewe to Silver Leaves expansion was 0,116 with the origin at 34 years. The overall expansion rate was 9,6 Km/year (Fig. 4). The overall [illegible] historical reconstruction proposed by Phillipson (1975; 1977). However the temporal ordering within the complex indicated a North to South spread and hence a 'stream' model.

The relatively slow expansion rates associated with the simulations of the continuous spread model indicated that the wave model (Soper, 1971a) is probably incorrect. The rapid rates of spread generated by the simulations of the discontinuous spread model suggest that this was the most likely mechanism of dispersal. This mechanism mimics movements known from oral tradition (Kimambo, 1974; Legassick, 1969; Monnig, 1967; Turner, 1954; Were 1974). The groups that were hived off would have moved some distance and settled and they could have acted as nuclei for further expansion. Because more than one

The Star Thursday July 12 1979

Gold price 'could fall'

79

The recent gold price rise has been somewhat over extended in terms of supply and demand and a sharp reaction is possible in the short to medium term, Union Corporation director L W P van den Bosch told Reuters.

President Carter's pending statement on US energy policy was crucial to near term price performance, he said, in an interview following a visit to Union Corporation's Free State mining operations.

NEW RISE

Mr Van den Bosch said the present uncertainty about the content and timing of President Carter's announcement might well be transformed into a realisation that any proposed measures are unlikely to produce significant results in the short term.

In that case the heavy speculation which had supported the recent strong price rise could fuel a further temporary increase, regardless of whether or not President Carter adopted a sufficiently substantive energy policy.

Thus the US stance on energy, and consequently also the dollar's performance, could emerge as the more important factors in determining the gold price over the second half of the year, rather than actual supply considerations as in the first half.

Mr Van den Bosch said a fairly healthy relationship existed at present between supply and actual demand, but there was little that justified a price for the metal around current levels.

He noted there had been some weakening in industrial demand, and some evidence of consumer resistance caused by the higher prices levels. This could increase, especially with the European summer ahead, he added.

However, with growing fears overseas about prospects for rising inflation, it was possible any industrial reaction caused by higher prices would be countered by increasing investment demand.

FLEXIBILITY

Mr van den Bosch said he was in favour of a more flexible marketing policy for South African gold sales, concluded possibly by the Chamber of Mines on behalf of the industry.

Although the De Kock Commission of inquiry into monetary policy early this year ruled against any transfer of the Reserve Bank's marketing role, he felt there was a case for this at a later stage.

F.M. 13/7/79

79

GOLD

Fit for $300

If it is true that gold share prices lead bullion, performance of the gold sector early this week points to a near-term setback for the metal. From Friday, when gold reached a record $290,95 fix in London, the *RDM* gold index fell from 302,2 to 292,6 on Wednesday — and that despite the fact that bullion has held up well at just less than $290 and the FR weakened from Friday's 99c to 88,5c on Wednesday.

As if to underline the market's apparent fears, Gold Fields of SA director Robin Plumbridge, announcing his group's June quarter results (see *Fox*), expressed concern over the current "speculative" element in the gold price. Plumbridge sees similarities with the 1974 situation and foresees the possibility of a near-term unwinding of "speculative" positions in the metal.

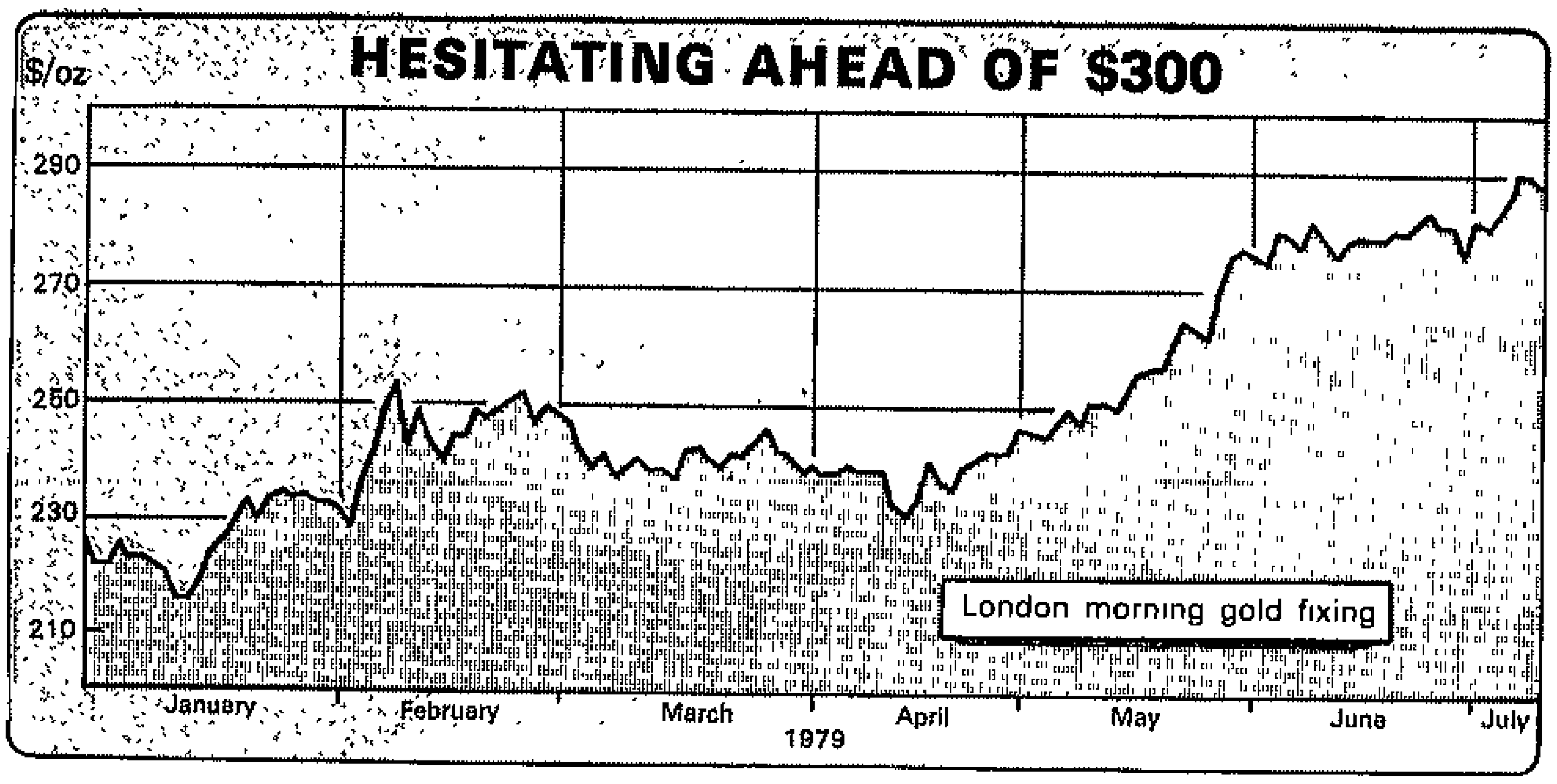
But are these indications correct? And is the target of $300 gold unlikely to be hit near term?

That some easing from the current level is probably not out of place is the general view of the mining industry. Consolidation at just below $280 for the next few months would be far from unsatisfactory for the industry. The view is that the higher bullion goes near term, the sharper the correction later.

Despite what the industry would like, there seems to be little likelihood of any near-term lessening of the upward pressures on bullion.

Saudi Arabia's announcement last week of increased oil production should have allayed some fears of further twists to the inflation spiral with higher spot crude oil prices. But it needed a firm US commitment on oil consumption limitation measures to give added bite to the Saudi announcement. President Carter's cancellation last Thursday of what was widely expected to be a definitive statement on US energy put the kibosh on that. And the fact that the US spent a reported $2,5 billion last week to prop up the dollar is hardly likely to have restored confidence in the longer-term strength of the US currency.

Carter does not give the impression of being sufficient of a statesman to ignore his election prospects and apply himself to repairing the US economy. It is easy



enough for him to shift the blame for the prospects of increasing unemployment, zero growth and over 15% inflation onto Opec's pricing policies. But that is an appeal to the US electorate alone and unlikely to influence investors leary of a weakening dollar.

Because of the normal two to three months credit granted by Opec to the oil majors, according to one London analyst

start, could not withdraw entirely from the market especially while gold jewellery continues to be seen as an inflation hedge.

Official gold reserves held by the Arab oil producers are small compared with those of the major western countries (Saudi Arabia, for example, has less gold on reserve than Belgium). And so long as currencies remain suspect, the Arabs are likely to turn increasingly towards gold as an official store of value. The funds are available to them. At $300, merely the additional oil revenues expected this half would be sufficient to buy more than three times the amount of gold absorbed by the jewellery industry during the whole of last year.

Of course, the real world is not quite as simple as that. But it is a safe bet that any conceivable near-term downturn in jewellery demand will be matched by increased investment demand. US Treasury sales are not expected to continue much beyond mid-1979 while the IMF's

Based on the March quarter's figures, every gold mine in the country should be breaking even at the operational level at current gold prices. And on that sort of basis, very few need protection from a downturn

Is there anything SA can do to support the bullion market?

Reserve Bank officials have several times examined the possibility of stabilising the country's gold income through futures markets operations. But such a move would be of real benefit only to the marginal producers. What it adds up to is that if the Reserve Bank was prepared to forego some of its relationship with the Swiss gold pool, only approximately 10% of the production from marginal mines could or would be hedged. The effect on the mines' prospective gold revenues would, therefore, be relatively limited.

Since US sales at $35 ceased, round numbers have always presented psychological barriers to gold's advance. While memories of the setback from $200 in 1974 are still clear, it might be that gold will balk at the $300 fence. But this time around, currencies have become increasingly suspect and there is little prospect of the US and the world avoiding either higher inflation or a recession — prospects which seemed less uncontrollable when gold first headed for $200.

Add to this that, according to London bullion dealers, physical demand remains strong with firm buying by long-term investors at anything below $275, and any setback from $300 should be of short duration only.

That being so, within the next few weeks prospects of a sustained penetration of the $300 barrier seem better than good. And once that happens, what may now appear to be a difficult hurdle to leap seems set to become a new effective floor price.

The heat must go out of gold

Sun, Tribune 15/7/79

79

By Ben Temkin

WHILE the move of the bullion price to more than 290 dollars an ounce presages a further move to over the 300 dollars mark, the price is discounting a currency crisis which may not materialise.

Fundamentally, a rise in the price of the metal to over the 300 dollars level has long been regarded by many market commentators as being realistic — but not as early as this. Certainly, too, bullion should achieve a higher average price over the year than it did in 1978. The problem with the price rise is that the metal has forced its own pace on what has mainly been speculative demand. And, what the speculators have been looking for is another collapse of the dollar — or even the drawing of the United States into a Middle East war.

In its Gold 1979, Consolidated Gold Fields summed up market expectations when it said: "Given the expected absorption of all newly-mined supplies in the commercial sector, it is likely that prices will remain firm, certainly at a higher average than in 1978, and could move sharply upwards in the event of unexpected political or economic incidents."

The rate of inflation in Western countries has certainly not been an unexpected economic incident. Nor has the general economic weakness. The troubles in Iran were largely unexpected and these are closely bound up with the so-called shortage of oil and the oil crisis. There is no gainsaying that this constituted both an unexpected political and economic incident — and was probably more than enough to spark off the latest gold rush.

But what should have happened in the wake of the oil crisis is that the dollar should have been ravaged once again and once again should have plummeted. The logic here is that, when the price of oil rises, the Arabs build up large dollar balances and, thereafter, these surpluses flood the market.

Fundamentally, therefore the gold price rise, can be directly linked to the oil crisis.

The problem is that the fundamentals are not necessarily correct: In the first place, what oil crisis there is, is largely artificially induced. And the price rise has been accompanied by a considerable reduction in supply so that there is not necessarily the surplus of dollars that the speculators expected.

Secondly, it is quite wrong to look at the dollar in the same terms as it was looked at last year. Then the most serious problem for the Americans was a deteriorating trading position. Since then, while admittedly the Americans have had to pay more for their oil, their trading position has been very much improved. The competitive strength of the dollar is greater than it has been at practicaly any time since World War 2. American goods are relatively cheaper than those of almost every other Western manufacturer. And the United States is rapidly assuming dominance for its goods in many Third World countries.

That the U S is enjoying advantages in foreign markets is all-too-obviously being overlooked by speculators in the gold and currency markets and by economic analysts. In other words, the fundamental strength of the dollar is being ignored. Part of the blame for this must rest with the Carter administration which has failed to come to grips with the fundamentals of the American economy and in particular has only, in combat terms, so far shaken hands with its chief opponent, inflation. Nor does it look as though the punching is imminet.

It is the lack of real economic policy in the US rather than any fundamental weakness in the US economy that makes people think that the dollar will inevitably be tramped on again.

It seems though that the 300 dollars psychological barrier, while breakable is probably not sustainable.

Unless there is a dollar collapse — and fundamentally this should not take place, the heat must go out of the gold market for a while. It is fair to expect a fall back to 250 dollars before the rise begins again. And that fall could take place even before the oil-shortage fallacy is blown.

17/7/79 79 G

Gold up, $ down despite Carter speech

7

By GORDON KLING

GOLD RESUMED ITS MARCH toward the $300 dollar an ounce barrier yesterday as the financial world turned thumbs down on President Carter's long-awaited energy proposals intended to restore faith in the the US economy and the dollar.

South Africa's most important export rose to a record price of $292,88 an ounce at the close in Zurich — Europe's biggest market. It closed at $292,75 in London, just down on the record afternoon fix of $292,80 which was up $1,40 on the morning fix and almost 50 percent higher than a year ago.

The Minister of Finance, Senator Owen Horwood, predicted that the Republic would have a record trade surplus this year, in spite of the huge increase in its oil bill, and South African gold shares moved ahead on international stock exchanges after largely

on Americans to join him on "the battlefield of energy", and make massive energy sacrifices over the next decade.

"We are at a turning point in our history," he told the nation on television on Sunday night. "Our dependence on foreign oil will be stopped dead in its tracks — right now."

He did not reconcile this with plans, in the same speech, to cut imports at a rate which would still leave the US dependent on other countries for a signficant proportion of its oil 10 years hence.

Elaborating on the new proposals during subsequent

Mr Jimmy Carter

C O N G R A T U L A T O R Y P A R T Y in honour of
N O S I P H I W O M Q U Q O, eldest daughter of

REV D. and MRS MQUQO

who has won an A. F. S. SCHOLARSHIP AWARD TO AMERICA.

<u>VENUE</u>: MONWABISI COMM. CENTRE

<u>DATE</u>: 22 JULY I979

<u>TIME</u>: I5h00 (3.00 p.m.)

Master of Ceremonies- MR K. BOSMAN.

I. Devotions

2. M.C.'s Remarks

3. Music .... o (P.J.Sinclane)

4. Mrs B. Dea... nt

5. Music .... Shepherd (Psalm)

6. Mr. M. Kwi... rd Holder

7. Music .... P.Mohapeloa)

8. Mr C. Mala... High School

9. Music .... d (S.Dickson)

IO. Mrs G. Fisa... eader

II. Music ..... ibisi)

I2. Mr L. Qant...

I3. Music ..... Pearls(C.Pensuti)

I4. Mrs M.F. Mo... her A.F.S. Official

- **'Never again hostage': page 2**
- **Hong Kong the key: page 8**
- **Leading article: page 10**

with major world governments welcoming what they saw as compliance with energy pledges at the Tokyo economic summit last month, while the dollar sank and bullion rose. Economists noted that no meaningful new steps had been taken to dismantle the intricate system of subsidies and tax concessions that have kept US petrol prices at less than a third of the cost to South Africans, and far below world averages.

Delivering what many political correspondents described as the strongest speech of his White House tenure, an emotional President Carter, called

leased simultaneously by the White House showed that far from representing any saving, the target figure was a substantial increase on imports which have been running at about 6,4 million barrels a day for the past five weeks.

Another bewildering feature of the new energy blueprint was the conspicuous omission of the role of nuclear power.

The response of the American public, as measured by a TV-linked electronic monitoring system, was considered favourable as 61 percent of respondents indicated optimism, 18 percent pessimism, and 21 percent confusion.

I5. Music ....Obe (J.P. Mohapeloa)

I6. Mr J. Gerber ................A.F.S. Chapter Member? Cape Province

I7. Music ....On The Blue Danube (J.Strause)

I8. Presentation ....X. Mgabadeli (Head Boy)

I9. Music ....UPoni (B.B. Myathaza)

20. Vote of Thanks ....Rev. M.T.L. Moletsane

2I. National Anthem

R E F R E S H M E N T S R E F R E S H M E N T S

R E F R E S H M E N T S R E F R E S H M E N T S

Windfall expected to stimulate SA economy

Argus 19/7/79

79

Tax cuts may follow big gold price rise

Financial Editor

SOUTH AFRICANS can look forward to some reductions in taxes and an increase in Government subsidies for essential goods and services if the gold price continues at its present record level.

This week's spectacular jump in the price to more than 300 dollars an ounce is producing a bumper windfall for the Treasury. And the Government is expected to pass some of this on to the public in a bid to further stimulate the economy.

The need for this increased stimulus was spelt out today by the Bureau [redacted]

Spending

Unless there is an increase in consumer spending, the economy will not achieve the growth targets set by the Government, the Bureau says.

Now, with the gold price at record levels the Government has the means to stimulate consumer spending.

The increase in the gold price means that the earnings and profits of South Africa's 40 or so gold mines have been sharply increased.

And with the Government taking up to 66

(Continued on Page 3, col 4)

Sunday EXPRESS Business

Gold telling us the West's economies are in a mess

A GROUP LOOK AT QUARTERLIES

	Tons milled 000's		Net profit R000's		Average revenue $oz		Average costs $ oz		Average profit $ oz	
	March	June	March	June	March	June	March	June	March	June
Anglo	7 339	7 448	136 400	174 401	238,77	258,20	135,42	156,59	103,08	101,61
GFSA	2 998	3 039	79 805	89 745	240,71	257,42	119,58	126,18	121,13	131,24
R Mines	3 212	3 300	29 169	32 363	258,25	261,30	213,00	211,50	45,00	49,80
JCI	2 028	2 083	29 067	26 482	238,00	261,10	151,00	173,70	87,00	87,40
Anglovaal	1 069	1 103	17 277	24 823	246,70	271,33	177,44	184,33	69,26	87,00
Genmining	1 653	1 724½	17 034	17 541	240,66	256,00	165,00	169,00	75,66	87,00
Unicorp	2 480	2 490	23 982	25 702	244,71	261,28	120,43	123,42	124,28	137,86
	TOTAL		TOTAL		AVERAGE					
	20 779	21 187	332 730	391 057	244,06	260,9				

Bullion adds and adds to its lustre

GLITTERING gold just adds and adds to its lustre as the recent guarterlies illustrate, with the taxed profits of all gold mines showing a 17,5% rise to R391-million for the June quarter and with average revenue better at $261 an oz.

The only house that has failed to boost its net profits is JCI, down from R29-million to R26,4-million, but this is only a transient phase as Randfontein gets into its stride.

Anglo American's net profits showed an increase of 28% to R174,4-million, Anglovaal was up by 43% to R24,8-million, GFSA by 12% to R89,7-million and Rand Mines by 10% to R32,3-million.

A remarkable feature of the quarter was the manner in which the mines contained their costs.

This notwithstanding the first round of wage increases to officials and MWU members (the impact of the black wage increase will be felt in this quarter), the flush of rising fuel and meterial costs, and not least, the go-slow by the SA Technical Officials' Association which cost the big Vaal Reefs complex 250kg of gold (worth a cool R1,8-million) and retarded Randfontein's production by 16 000 tons.

The average rise in costs was held to 5,8%, while gold revenue rose by 7% and profits from gold by 9%. With grades generally being maintained, the increase in overall tonnage of 408 000 to 21-million tons also helped gold production.

All houses reflected better tonnages, the smallest being that of Unicorp, only 10 000 tons higher.

Most of the major mines are pressing ahead with a variety of capital commitments and the taxman's bite was consequently not so deep as previously — although the few not so capital-committed mines did pay handsomely.

The marginal mines, in particular those of Union Corporation, benefited from the improving gold price, and Unicorp again showed its indisputable flair for minimising costs and maximising profits.

The contribution of uranium sales to mine profits was a variable quality, but the exceptions were Harties which doubled its uranium profits, and Randfontein which trebled them.

● Now it seems gold is a girl's best friend.

THE Western world's economies are in a mess. That, more than anything else, was what the gold price was trying to say last week.

Sure, a second look at President Carter's economic and energy programmes led to a re-examination of the panic which set in mid-week, and gold eased back through $300 as the dollar hardened on Thursday and Friday against most currencies except sterling.

But the fact that gold crashed through $300 without so much as a pause was not important as a quantum jump in the gold price; rather it focussed attention on the fact that gold has been rising steadily on fears that one or other currency was under pressure.

A jump from $280 to $290 is no less important to the central issue than the penetration of $300 is from a base of, say, $290.

But what alarms currency dealers on both sides of the Atlantic is that serious measures, such as those proposed by President Carter last week-end, no longer impress the world's currency markets.

Credibility on economic matters no longer seems to be politicians' strong suit — not in America, anyway.

And while South Africa rejoices in the additional income which the higher gold price will bring, leading Johannesburg economists have warned that South Africa's interests would be better served by a solution to the West's economic dilemma than by the short-term benefits of an inflated gold price.

The Secretary for Finance, Dr Joep de Loor, said as much himself when, in welcoming the extra revenue, he said it was a pity that it was based on world economic uncertainty.

CARTER CANNOT CALM MONEY MARKET

There is no doubt that in the short-term, a price of $300 or thereabouts will give the Minister of Finance more flexibility in his budgeting and more power to stimulate the economy.

The additional revenue both on the foreign exchange front and in tax — and it is worth recording that for each dollar that the gold price improves the State benefits by about R11-million in taxes from the mines — will ease the strain on the balance of payments, making industrial expansion theoretically easier and jobs easier to find for the mass of South Africa's unemployed.

But far more important, say economists, is for the West to come to grips with its problems and avoid a recession.

While the West prospers, so do South Africa's commodity exports. And while there is spare liquidity in the West, South Africa's prospects of getting foreign capital are improved.

A recession, say economists, brings lower prices for South Africa's exports, bringing as it did in 1974, mass unemployment in its wake.

Gold's price is certainly helped by uncertainty, but gold has built up a sufficiently solid base of support to suggest that it would not plummet if the West — and the dollar — came right.

LONDON (71) FM 27/7/79

Going for golds

London gold share buffs have been enjoying a rare and nostalgic sight lately — large-scale institutional buying of kaffirs. A year or even six months ago, most gold traders in Throgmorton Street would have been prepared to bet — in private at least — that a resurgence of interest in SA gold stocks by the big battalions was an unlikely event. Now, after several days when golds have outperformed the rest of a nervous and weak market for equities generally, the talk is optimistic. Leading brokers such as James Capel and Williams De Broe can now see good prospects for sustained and growing interest from both institutions and private speculators in London, though there are *caveats* of course.

Two of the three main ingredients behind this turn of events are thoroughly familiar: the recent strong surge in the bullion price beyond $300 and the increasingly gloomy outlook for the world economy. But the third factor, and by far the most significant for UK investors, is the changed attitude towards the elaborate 40-year-old framework of exchange control restrictions now that a Tory administration is in power. These controls are ideologically distasteful to most Tories and especially so to the radical free-market economists closest to Mrs Thatcher's ear. And the apparently unstoppable rise of sterling, which has become everyone's favourite petro-currency, has provided the ideal opportunity for dismantling that framework of restrictions. Since February, the pound has pushed from below $2 to over $2,30 this week — its best levels for over four years. Gains have also been made against other major currencies such as the German mark.

In quick succession, Chancellor Sir Geoffrey Howe has eased controls on both portfolio and direct investment. Last week he finally scrapped all restrictions on direct investment overseas. He has liberalised the restrictions on portfolio transactions more cautiously. The result has been to sharply reduce the demand for investment currency which until Sir Geoffrey's changes, had to be used for most forms of direct and portfolio investments. At times of sterling weakness, the investment currency premium over official exchange has been as high as 50%, sharply reducing actual returns on foreign equities for most UK investors unless they were prepared or able to borrow local currency abroad. By the day of Sir Geoffrey's budget in early June, the effective premium had sunk as low as 10%. It has since collapsed to 5% and now hovers around 6%-7%.

This has meant that the yield differential on typical SA gold shares brought ex and cum premium currency has dropped to around 2 percentage points.

To many institutional investors, this sacrifice in yields has become well worth taking, given the gloomy outlook for UK industrials as a result of strong sterling and lower export revenues plus the high interest and tight money regime currently in force in Britain. These factors will combine to produce a tough squeeze on corporate sector profits and liquidity.

In London, the medium-term outlook for the bullion price is regarded as favourable, especially if the IMF and US Treasury sales dry up according to schedule, and even allowing for lower offtake by the jewellery industry as a consequence of the higher price. London investors also take the view that a deal more gloomy economic news will emerge from the US before that country gets realistically to grips with its energy and balance of payments problems. The final medium-term underpinning for golds in London is the expectation that before long, the premium currency pool will be abolished altogether, so that Wall Street and kaffirs can be purchased with official exchange — no penalty whatsoever.

The shorter-term outlook is more cloudy. Gold shares seem to be discounting a bullion setback to around ... Until that happens or until gold resumes its upward path again, there will be some caution. However, every silver lining has its cloud. Still a major restraining factor in London is the reality that for many fund managers, especially those handling pension fund cash (and thus accountable to regular meetings of trustees), buying SA stock is now a political act. Said one manager this week: "There is little mileage in getting the gold share market absolutely right for me. And if I were to get it spectacularly wrong, then perhaps my job would be on the line."

Financial Mail July 27, 1979

...o appear in italics in Table I. For
...ity, the Asian and 'coloured' mortality

...res emphasis is that by using the major
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...ates for diseases of the circulatory
...sians and 'coloureds', within this
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life for the three communities. At birth, the white:Asian:'coloured'

the South African population from all causes of death. The proportional contribution of the seventeen major disease categories of the International Classification of Disease (8th revision) to the overall mortality of the various communities is summarised in Fig. 5. The whites show a typical 'developed' country spectrum of mortality with Infectious and Parasitic Diseases being of minor importance (2,0%) and Neoplasms (15,6%) and Diseases of the Circulatory system (50,5%) being of major importance. For urban Africans and 'coloureds', Infectious and Parasitic Diseases make an important contribution to the overall mortality (19,5% and 23,5% respectively), with diseases of the respiratory system and certain causes of perinatal mortality also being of importance. Within the category of Infectious and Parasitic Diseases, diarrhoeal diseases and tuberculosis are the most
...es of mortality. The 'coloureds' experience an interesting
... 'developed' and 'underdeveloped' mortality with a high
...n enteritis and diarrhoeal diseases in the young and circu-
... in later life. What is also of interest is the relatively
...f symptoms and ill-defined conditions, particularly in the
...ity (22,5%). This provides some indication of the pro-
...lisation of medical services to Africans in the urban areas.
... Asians have a spectrum of mortality intermediate between
...the one hand and the 'coloureds' and Africans, on the other.

...esentation of the cause specific mortality data as propor-
...ies conceals a certain amount of information. Table I
... detailed analysis of these data in the form of cause
...lity rates for defined age groups by sex, in the white, Asian
and 'coloured' communities.

...e compared with the proportional mortal-
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First gold fever ... now the jitters

By STEPHEN ORPEN

AS THE gold price punched through $300 this week, it was understandable that South Africa should rejoice. But the industry and Government fear that the price rise, and the euphoria it has fired, will lead to another, vicious bout of cost inflation.

This has reinforced a secret campaign by the industry to dampen over-excitement over gold's sparkling performance.

There is no doubt that if gold price remains above the triple century level, then, at least in the short-term, extensive benefits should trickle down from the balance of payments to the man in the street.

The country could earn some R1 000-million more in foreign exchange this year.

Nevertheless, the gold mining industry and others are correct in their anxiety about runaway euphoria.

In the past 10 years, the cost per ton of gold ore milled has rocketed by almost 300% from some R7 a ton to nearly R28 a ton, while the productivity of the labour force has improved hardly at all — despite mushrooming black wages. Also, a too-rapid rise in the gold price accompanied by a weakening dollar can only spell trouble for the northern hemisphere economies.

And this could mean a sharp setback not only in the gold price but in South Africa's main exports, as well as a new twist in the fast-rising prices of the country's imports.

For investors and shareholders in the mines, that could mean that the dividend bonanza they are currently enjoying from certain stocks — with dividend hikes of 50% and more announced in the past week — will prove a passing shot in the arm.

As a result of these and other dangers, the industry has launched a secret, low-key campaign to dampen the over-excitement fired by the soaring gold price on world markets.

First shots in the campaign, they said, had already been fired when gold began its heady new rise towards the magic $300 mark.

The cool-down message was evident, for instance, in a recent briefing by the deputy chairman of Gold Fields, Robin Plumbridge, and in speeches by other mining house leaders.

Mr Plumbridge warned that it would be difficult to contain mining costs in the second quarter of this year and beyond.

Read in conjunction with new estimates of R30 000-million operating costs in the industry in the next 10 years, his meaning was unmistakable.

And it becomes even more so when one realises that, until recently, the industry's pay limit (the amount of gold per ton treated necessary to break even) was more or less back to what it was at the end of 1973.

Deceleration

The uncomfortable fact is that, unless the recent small deceleration in the rate of mining cost increases can be maintained, the gold price will need to keep rising faster than it has if the mines are to show proportionately larger profits.

Also, the job of lifting dividends will be made more difficult by the frightening amounts now needed to expand existing mining operations, or to start new ones.

Ever more ploughback will be required to finance expansion as the capital costs of growth continue to soar.

Ten years ago a large new mine could be started on R50-million. The same mine today would cost more than R150-million to commission.

Mining industry and central government planners confess they are seriously worried by the inflationary spiral both in the industry itself and as generated by it.

Thus working costs have risen from less than R500-million in 1969 to about R2 000-million a year as expected for 1979.

In a similar period, the gold price has climbed some 522%, from R26,869 an ounce to the average for the year of R168,90 received by the gold mines in 1978.

Since 1975 the average price received by the mines has risen from R111,62 in 1975 to a notional R220 so far in 1979 — around 96% — while costs have mushroomed by only some 60%, from R1248-million.

This reflects well on the industry's success since early last year in slowing internal cost inflation, and certainly points to higher margins for the mines in the past six months.

Also, the margins are going to look very good indeed if gold price keeps rising at recent rates.

But, with a slowdown in the world economy now widely expected next year (or in 1981 after the US presidential elections), and with the dollar clearly vulnerable already, the price of bullion must be expected to drop back a little, or at best stabilise around the $300 mark, in the medium term.

And during the same period mining costs are likely to start accelerating again as there are renewed pressures to raise black and other wages.

Wages now comprise some 50% of all working costs, stores and materials 33% and electricity, power and water about 11%

Black wages rose more than 400% in 1970-77, from some R91-million to R510-million, constituting the largest single inflationary factor in all mining costs.

Despite this huge increase, the inordinately low base from which the increase started means further increases of the same order must be expected in the next few years — even if these do lead to more mechanisation and shrinking labour complements.

White labour costs rose from some R172-million in 1970 to more than R400-million last year, while the cost of stores and materials climbed from R192-million to around R600-million.

Electricity, power and water costs rose from R51-million to some R200-million.

Total working expenditure measured in cost per ton milled rose by some 129% in 1970-75 and by 95% just in the three years 1975-77.

The dramatic increase in labour costs has to be read in the context of an almost static productivity performance.

Measured in so-called tonnage duty (basically, the tonnage produced by each worker), there has been virtually no improvement at all by blacks since 1970 and whites have contributed no better.

Chamber of Mines chief economist Tom Main, who is secretary-general of the Chamber's Economic Affairs Advisory Committee, says the rate of increase in costs per ton milled has seen a vast improvement in recent quarters, but is still "far too high to be acceptable."

He notes: "In real terms, with the exception of the very recent period, the industry has experienced a number of extremely difficult years which have inevitably had a bearing on longer-term prospects.

"Until recently, working profits have been less impressive than might have been expected.

Aggravating

"And, aggravating the position, the State has continued to take a very substantial slice of the cake by way of formula tax, with up to 75% of every incremental rand of profit in the case of certain mines."

This, say other mining men, has encouraged such mines to show as much increase in costs as possible, both to earn whatever they can by way of subsidies on expenditure and to minimise the rise in profits into the most punitive tax brackets.

Costs per ounce of gold produced vary widely from mine to mine, but appear to have averaged around R100 in the first quarter this year, compared with some R90 for 1978.

Typical costs per ounce of gold sold in the second quarter this year, for which results are still being received, are $142 for Marievale, $145 for Grootvlei, $158 for Leslie down to $84 for Winkelhaak.

In the first quarter, the highest-cost mines included $290 for Loraine and $253 for ERPM, in terms of total working costs divided by production for the quarter in ounces.

The Star Wednesday August 8 1979 Star

Gold income can cover GST bill

(79) ~~320~~

Hint seen as evidence of boom

By Michael Chester, Financial Editor

Reports that the government may decide to lift the general sales tax on food items was regarded today as evidence of the spin-off now possible from the golden harvest being reaped by South Africa from the gold boom.

The size of the harvest is laid out in estimates by the Chamber of Mines.

HIGHER

SA income from gold last year broke all records by surging to R3 600m — based on an average bullion price of about 194 dollars an ounce on world markets.

Even the most conservative forecasts, using 250 dollars as an average over the year as a whole, suggest income in 1979 will touch R5 500m and perhaps even higher.

So the rise in gold income alone — around R2 000m or 52 percent more than in 1978 — is likely to pay the overall GST bill three times over. A final count by the Receiver of Revenue put total payments of GST in the first 1978/79 financial year at R654m, all items counted, not only food.

Moreover, the use of 250 dollars as a possible average for 1979 gold prices may well underestimate the power of the gold rush.

REVERSED

Though gold prices have been pulled from their 307-dollar record peak over the past few weeks, there were signs today that the decline had been reversed.

New York prices last night gained 3,50 dollars on the spot market to advance back to 285,80 dollars and so overtook the London close of 283.75 dollars.

On the futures market, gold resumed its climb at even faster rate by rising as much as 4,90 dollars.

And in Hong Kong this morning gold went on to 286,80 dollars on the international market.

Two factors appeared to be having an influence:

- More nervousness on the world currency markets as the British pound carried on in a dramatic spin downwards on renewed fears that inflation will trip the UK economy.
- Ominous rumbles from the oil crisis on reports that militant members of Opec now want an emergency meeting to cut the dollar link to oil prices and re-set prices on a wider basket of currencies.

Friends (Quakers) en van die American Friends Service Committee deurgebring. Hy het 'n aantal konferensies in verskillende dele van die land bygewoon, baie vergaderings toegespreek en senior beamptes van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite besoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Swede, Israel en Zambië besoek. Hy het vooraanstaande joernaliste, Suid-Afrikaanse diplomate, senior amptenare van die Suid-Afrika-Stigting en verskeie regerings betrokke by Suid-Afrikaanse belange ontmoet. Hy het besprekings gevoer met stigtings, trusts en opvoedkundige verenigings. As gevolg van sy besoek aan Nederland het hy 'n toelae vir die Konstruktiewe Program ontvang van die Algemeen Diakonaal Bureau van die Gereformeerde Kerken in Holland.

Professor J.L. Boshoff, ere-Fellow van die Konstruktiewe Program, het met 'n aantal instansies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriële firmas in Natal, kontak opgebou.

(b) Konferensies

Gedurende 1978 het die Direkteur die volgende konferensies bygewoon:

Jaarlikse Konferensie, Nasionale Uitvoerende Komitee- en Raadsvergadering van die Suid-Afrikaanse Instituut vir Rasseverhoudinge, Kaapstad (Januarie).

Suid-Afrikaanse Jaarlikse Vergadering van die Religious Society of Friends, Stutterheim (April).

Negende Wêreldkongres van Sosiologie, Uppsala, Swede. Verhandeling voorgelê in Werkgroep 6 en vergaderings bygewoon van die Raad van die Internasionale Sosiologiese Vereniging as die amptelike afgevaardigde van Suid-Afrika (Augustus).

Goud klop aan 300 dollar

Rapport 8/7/79

(79)

DIE goudprys het vandeesweek met 'n paar baie mooi bokspringe vorendag gekom en het aan die einde van die week nuwe hoogtepunte op die meeste goudmarkte bereik.

Vrydagmiddag is 'n nuwe hoogtepunt in Londen bereik toe dit op 'n rekord van 290,25 dollar per ons gesluit het.

Handelaars is van mening dat die sielkundige weerstandspunt nou gebreek is en party sê dat die prys voor die einde van die maand tot meer as 300 dollar kan styg. Daar is selfs diegene wat voorspellings van tot 400 dollar aan die einde van die jaar waag.

Die termynmarkte in Amerika, wat 'n belangrike rol speel in die bepaling van die goudprys, het egter effens laer geopen, terwyl daar ook 'n verstewiging in die dollar voorgekom het.

Hierdie verwikkelinge kan dalk 'n demper plaas op 'n verdere vinnige styging in die prys van die metaal.

Mennonite Central Committee se Konferensie oor: 'Die Rol van Geskiedkundige Vredeskerke', Gaborone, Botswana. Verhandeling voorgelê oor: 'The Role of Churches in Promoting Justice in Southern Africa' (Oktober).

Konferensie van die Afrikaanse Calvinistiese Beweging, Potchefstroom (Oktober).

(c) Deelname aan Welsyns- Professionele en Openbare Organisasies

Die Direkteur het aktief gebly in die Suid-Afrikaanse Instituut vir Rasse-Verhoudinge as 'n lid van die Weskaap-Distrikskomitee, die Nasionale Uitvoerende Komitee en van die Raad.

Hy is Voorsitter van die Quaker Service Fund in die Kaap, die diensafdeling van die Godsdienstige Vriendekring (Quakers), wat gemeenskapsontwikkeling op die platteland en in die stadsgebiede bevorder.

Die Direkteur is gekies as lid van die Raad van die Vereniging vir Sosiologie in Suidelike Afrika. Hy is ook 'n lid van die Suid-Afrikaanse Sosiologiese Vereniging en van die Internasionale Sosiologiese Vereniging. Hy is aangestel as die Suid-Afrikaanse afgevaardigde in die Raad van die Internasionale Sosiologiese Vereniging vir die tydperk 1978-1982.

WAARDERING EN DANK

Ek is altyd dankbaar vir die geleentheid wat die jaarverslag bied om my waardering te betuig aan lede van die Akademiese Advieskomitee en die Beheerraad vir hulle leiding, aanmoediging en belang in die aangeleenthede van die Sentrum.

Die Universiteit van Kaapstad het benewens 'n bydrae tot die bedryfskoste van die Sentrum, ook vir die Sentrum sedert sy stigting in kantoorruimte voorsien. Met die uitbreiding van personeel het ons die huisie op die laer

navorsings-Fellows het aansienlik tot die Sentrum se
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Professor M.F.Kaplan
Ds. W.A. Landman
Mnr G.K. Lindsay
Sir Richard Luyt
Professor S.J. Saunders
Professor H.W. van der Merwe
Mede-professor D.J. Welsh
Professor Monica Wilson

Gold is proving to be a girl's best friend.

With designs like these, the market potential for gold jewellery will never be exhausted.

Dressed up to her neck in solid gold.

Industry is still biggest gold outlet

Star 9/8/79

79

By Jean Moon

BUSINESS

While the eyes of the world rest on the monetary role of gold, industrial consumption remains its most important outlet.

Consumption by industry rose to 1 552 tons in 1978, compared with 1 405 tons the previous year.

The Chamber of Mines June report states that the main increase in the off-take was in the fabrication of official coins.

Last year, 259 tons was used for this purpose compared with 137 tons in 1977. Krugerrands accounted for a 102 ton rise, absorbing 190 tons, while the total amount for gold coin manufacture during 1978 is estimated at 259 tons (137 in the previous year).

The Chamber of Mines report tells of a record 6.1m Krugerrands sold last year. Half of this number found their way to the United States.

Official coin production in South Africa accounted for more than 27 percent of the country's total mine output.

PESOS

Continued demand for Mexican pesos was reported from North America and Europe, while coin production in the United Kingdom is estimated to have absorbed 20 tons of gold.

According to Gold 79, world coin production this year is not likely to exceed last year's record total. But there are encouraging signs that coin manufacture will continue to use more than 200 tons a year for the next few years.

A record 1 073 tons were used for fabrication in developing countries but underdeveloped countries used slightly less than the year before at 479 tons.

While the bulk used in developed countries was taken up in the manufacture of Krugerrands, increased jewellery manufacture and increased industrial application played a significant part. Of the 1 248 tons used by industry, 1 001 tons went for carat jewellery fabrication and the rest for electronics, dentistry and other industrial uses.

At these levels, the August edition of *Mining Journal* points out, carat jewellery has re-established its position of 1970 to 1972, having fallen to a low of 220 tons in 1974 following the sharp price increases.

Carat Jewellery manufacture accounted for nearly 65 percent of total gold fabrication.

STRONG

In Europe jewellery fabrication increased about seven percent to 441 metric tons and most of this rise stemmed from Italy where the amount used rose from 209 tons in 1977 to 235 tons last year.

A strong increase in exports to North America and Europe was noted, together with continued demand for high carat Italian chain from developing countries.

The political upheavals in the Middle East, particularly in Iran, reduced jewellery manufacture in that part of the world. In India, despite the high level of local prices, local jewellery manufacture rose by 11 percent but this was offset against the fall in gold consumption in Pakistan and Afghanistan.

During 1977, at least 65m items of gold jewellery were sold at retail level in Western Europe. Intergold makes this calculation based on findings of a comprehensive consumer survey. It is estimated that in that year 204 tons of gold went into the manufacture of jewellery. At an average price of 26.40 dollars per gram fine gold content, the value of retail sales in the countries concerned totalled 6 000m dollars in that year.

POTENTIAL

It is calculated that 49m adults bought gold jewellery in 1977 — about 21 percent of the adult population in the survey area.

Intergold concludes from the survey that the market potential for small personalised items of jewellery is far from exhausted.

KRUGERRANDS

Coining it

(79) FM 16/8/79

July sales of Krugerrands (KR) broke all records. There were 588 298 coins sold, 51% up on July 1978 and 41% higher than June 1979. Only 8 030 coins were sold locally. Turnover in the first seven months of 1979 totals 2 861 475 coins (1978 — 3 092 650).

Kerr Cruikshanks, Intergold's coin division manager, reports that the increased demand was widely spread and not confined to any particular country. He adds that "sales of KRs tend to move in sympathy with the gold price and the breaching of the $300 barrier was largely responsible for increased sales."

Sales to the UK have not been substantial since the lifting of the ban on gold coin imports two months ago. Says Cruikshanks: "We have sold a few coins and received some small orders." Despite the strength of sterling making gold relatively cheap for British buyers, he adds that, "There is generally a low awareness of KRs in London, except among those people already involved in the gold market."

Intergold is currently planning a marketing drive in the UK which will probably be launched soon. As a result, it expects UK sales to increase substantially in the last quarter of this year.

The government limits the number of proof KRs that can be exported. SA Gold Coin Exchange MD Len Gullen wants the ceilings lifted. He reckons that overseas markets "are developing slowly and in a somewhat haphazard fashion. This has resulted in situations of over-demand in some areas and simultaneous over-supply in others." Gullen feels the removal of restrictions would stabilise the market.

There has been a surge in interest from the UK in proof KRs, but sales so far have not reflected this. Says Gullen: "We are contemplating a marketing drive in the UK, but we would rather do so after Intergold has moved in. They have more money available, and proof KRs will have a greater impact once 'normal' KRs are established."

A cloud on the horizon is that other gold-producing countries are preparing an offensive against KRs. Cruikshank sees the Canadian 1 oz coin as the major threat. Scheduled for issue in September, it may get into certain marketing channels closed to SA for political reasons. Cruikshanks sees a "probable expansion of the total coin market, with some cannibalisation of KR demand."

INDIRECT COMMAND

THE GAULS AT ROME

After massacring the old men, the Gauls sacked the city and attacked the Capitol. Beaten off, they beseiged it until the garrison was ready to buy peace with gold. At the critical moment the great general Camillus, who had been living in exile, arrived with an army to take vengeance on the invaders.

Galli, ubi paucos dies in urbe manserunt ut praedam e templis domibusque quam plurimam compararent, in arcem impetum facere constituerunt. Prima luce convenerunt omnes in forum; deinde magno clamore ad collem contenderunt. Romani tamen, cum fortiter pugnarent, magna clade eos depulerunt. Itaque cum spes victoriae illo die nulla esset, Galli obsidionem paraverunt. Mox in periculo ingenti arx erat. Galli enim, cum aut vestigium hominis vidissent aut ipsi viam invenissent, collem nocte ascendere constituerunt. Cum alii alios per saxa traherent, magno silentio ad summum pervenerunt. Nihil audiverunt custodes Romani; ne canes quidem excitati sunt. Sed erant forte in Capitolio anseres quidam, quibus, cum Junoni sacri essent, Romani in maxima inopia cibi abstinuerant. Quae res tum Romanos servavit. Clangore enim anserum alarumque strepitu cum excitatus esset Marcus Manlius, vir bello insignis, arma cepit, ceteros vocavit, ipse ad locum contendit et Gallum, qui iam in summo stabat, scuto deturbavit. Illius casu cum ceteri strati essent, mox omnes Galli praecipites deiecti sunt.

Cum obsidionem Galli non reliquerent, Romani Camillum ab exsilio revocare constituerunt, eumque dictatorem dixerunt. Interea, ne propter famem, quae gravissima iam erat, pacem petere viderentur, in castra hostium panem saepe deiecerunt. Qua re Galli pretio Romam relinquere constituerunt. Magnum pondus auri pretium factum est. Res per se turpissima iniuria Gallorum turpior facta est. Brennus enim, dux Gallorum iniqua pondera comparavit. Irati sunt Romani; sed Brennus, non sollicitus, ponderi gladium suum addidit. Eo ipso tempore, tamen, Camillus cum exercitu pervenit. Is magna voce cives iussit aurum removere. "Ferro enim," inquit, "non auro patriam servemus." Tum Gallis imperavit ut se ad proelium pararent. Mox Galli non modo superati sed omnes interfecti sunt. Ne nuntius quidem cladis relictus est.

TEST ON INDIRECT COMMAND

A.
1. V
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3. I
4. C
5. I

B.
1. T
2. T
3. T
4. T
5. I

GG6619

79

DEPARTEMENT VAN FINANSIES

No. 1786 17 Augustus 1979

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

[illegible] ... Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), ... Suid-Afrikaanse Reserwebank met ingang van 31 Julie 1979 teen R228,21 per ons suiwer goud ...

DEPARTMENT OF FINANCE

No. 1786 17 August 1979

SOUTH AFRICAN RESERVE BANK ACT, 1944

DETERMINATION OF STATUTORY PRICE OF GOLD

It is hereby notified that in terms of section 17A (4) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 31 July 1979, all gold of the South African Reserve Bank at R228,21 per fine ounce of gold.

Mennonite Central Committee se Konferensie oor: 'Die Rol van Geskiedkundige Vredeskerke', Gaborone, Botswana. Verhandeling voorgelê oor: 'The Role of Churches in Promoting Justice in Southern Africa' (Oktober).

Konferensie van die Afrikaanse Calvinistiese Beweging, Potchefstroom (Oktober).

(c) Deelname aan Welsyns- Professionele en Openbare Organisasies

Die Direkteur het aktief gebly in die Suid-Afrikaanse Instituut vir Rasse-Verhoudinge as 'n lid van die Weskaap Distrikskomitee, die Nasionale Uitvoerende Komitee en van die Raad.

Hy is Voorsitter van die Quaker Service Fund in die Kaap die diensafdeling van die Godsdienstige Vriendekring (Quakers), wat gemeenskapsontwikkeling op die platteland en in die stadsgebiede bevorder.

Die Direkteur is gekies as lid van die Raad van die Vereniging vir Sosiologie in Suidelike Afrika. Hy is ook 'n lid van die Suid-Afrikaanse Sosiologiese Vereniging en van die Internasionale Sosiologiese Vereniging. Hy is aangestel as die Suid-Afrikaanse afgevaardigde in die Raad van die Internasionale Sosiologiese Vereniging vir die tydperk 1978-1982.

WAARDERING EN DANK

Ek is altyd dankbaar vir die geleentheid wat die jaarverslag bied om my waardering te betuig aan lede van die Akademiese Advieskomitee en die Beheerraad vir hulle leiding, aanmoediging en belang in die aangeleenthede van die Sentrum.

Die Universiteit van Kaapstad het benewens 'n bydrae tot die bedryfskoste van die Sentrum, ook vir die Sentrum sedert sy stigting in kantoorruimte voorsien. Met die uitbreiding van personeel het ons die huisie op die laer

navorsings-Fellows het aansienlik tot die Sentrum se program bygedra: dr Sheila T. van der Horst, afgetrede mede-professor van Ekonomie, U.K., en professor J.L. Boshoff, gewese Rektor van die Universiteit van die Noorde.

20/8/79

(79)

Excellent year for Gold Fields

An excellent year to June 30 is reported by Gold Fields South Africa, with a 63 percent lift in profits attributable to shareholders to R66,7m.

Pleased at the 20c rise in the interim dividend, shareholders were overjoyed by the 70c rise in the final to 155c pushing distribution 66 percent higher for the year to 225c.

Earnings a share rose 158c to 409c, but cover has been dropped slightly from 1,9 times to 1,8 times. The net asset value of the share is 57,5c higher at 5 748c, which compares with Friday's closing price of 3 925c. At that level, the yield offered by GFSA is the second highest in its sector.

Costs were held well in check during the year, with a reduction in the figure for expenditure and amounts written off from R24,6m to R22m. The interest bill and administration costs were slightly up, but costs for drilling and prospecting were reduced from R2,4m to R2,2m, while a small amount of R116 000 was written off — which compares with R4,3m in the previous year.

Mnr C.S. Corder*
Professor W.H.B. Dean
Dr J.P. Duminy*
Professor G.F.R. Ellis
Biskop A.W. Habelgaarn
Mnr E.V.E. Howes*
Professor M.F.Kaplan
Ds. W.A. Landman
Mnr G.K. Lindsay
Sir Richard Luyt
Professor S.J. Saunders
Professor H.W. van der Merwe
Mede-professor D.J. Welsh
Professor Monica Wilson

FINANCE

GOLD PRICE REACHES RECORD AGAIN

Argus 22/8/79.

79

GOLD was being traded at the record price of 307,15 dollars an ounce in Hong Kong this morning, after last night's US gold auction had disclosed a large unsatisfied demand for the metal. In London gold opened at 306,75 dollars today.

The 750 000 ounces of gold offered for auction by the US Treasury was sold at an average price of 301,08 dollars an ounce, with accepted prices ranging from 300,08 dollars to 301,50 dollars.

As this gold will have to be refined at a cost of 1,50 dollars an ounce before it is suitable for delivery the average price received was equivalent to one of 302,58 dollars on the open market.

BIDS

Eighteen bids for a total of 2,3-million ounces at prices ranging from 270,00 dollars to 301,50 dollars were received.

The most successful bidder was the Dresdner Bank which bought 720 000 of the 750 000 ounces on offer.

The only other successful bidders were the Swiss Bank Corporation of Zurich which obtained 25 200 ounces and the Credit Suisse of Zurich which obtained 4 800 ounces, reports Reuter.

The news of the heavy bidding at the auction started a wave of buying and short-covering in New York in late trading.

This lifted the gold price 7,80 dollars to 306,25 dollars at the close.

In Hong Kong this morning gold opened at 307,05 dollars and later rose to 307,40 dollars before dropping back to 306,80 dollars an ounce.

The previous record price for gold was 307,00 dollars reached at the morning fixing in London on July 26 this year.

INTERESTING

The most interesting aspect of last night's auction is the continued heavy purchases by the Dresdner Bank which has been a major bidder at most of the previous auctions.

The Dresdner Bank is believed to be buying on behalf of a number of Middle East oil states.

There is also a suspicion that it may occasionally be buying for the German Government as well.

Consequently, what the Dresdner Bank does in the market greatly influences other buyers.

Its willingness therefore to pay more than 300 dollars an ounce for the US gold last night could well encourage other buyers to regard this figure as a new floor price for the metal.

Meanwhile, the governor of the Reserve Bank, Dr T W de Jongh, reported at the bank's annual meeting yesterday it had repurchased a small part of one of its earlier gold swop transactions last year and re-sold it at a considerable profit without any negative effect on the market price.

The bank's gold marketing policy, he suggested, allowed the bank to obtain the best prices for its gold and it was clear that the marketing policy had played a very important role in the rise in the gold price.

It's policy subsequently at least never exerted a downward pressure on the price, Dr de Jongh said.

Gold swops have provided the bank with the needed additional foreign exchange without affecting the gold price.

Wall St golds

	ASA	Homestake
Aug 21	26,375	33.50
Aug 20	25,625	35,625
Aug 17	25,125	35,375
Aug 16	25,375	35,125
Aug 14	25,250	33,750
Aug 13	25,375	34,250
Aug 10	26,000	33,750
Aug 9	25,750	32,625
Aug 8	25 750	32,750
Aug 7	24,875	32.50
Aug 2	24,780	32,180
Aug 1	24,780	32,00

Gold price shock waves spread

Star
(79)
23/8/79

The Star Bureau

LONDON — Gold's rush to record levels sent shock waves spreading through the silver market and even into base metals by way of copper on the London Metal Exchange.

Gold sailed to a trading high of 311,625 dollars an ounce in Zurich yesterday, before settling back to a record closing at 310,125 dollars, a three percent jump in one day.

In London, gold hit an inter-day record high of 311,50 dollars before closing at 309,25 dollars — also a record.

In Hong Kong, today the international gold price closed the morning trading at 309,10 — 60 US dollars an ounce on selling by small operators.

SPOT SILVER

Spot silver climbed to 959,00c an ounce which compares with a record fixing of 958,20c on July 24. But the metal fixed at 951,40c yesterday against 915,90c on Tuesday.

Three-month copper traded up to 902 a ton under this influence. Lack of follow through allowed profit-taking and forward wirebars settled back to 895,25.

The only other metal to show any strength was nickel which traded up to 2 670 a ton in the three month position. But it, too, faced enough selling to bring it back to 2 650 a ton.

● NEW YORK — Platinum futures closed up the 10 dollar limit following the lead of gold and silver, floor brokers said. Volume was estimated at 2 213 lots.

JAARVERSLAG
1978
SENTRUM VIR INTERGROEPSTUDIES
(Geregistreer as The Abe Bailey Institute of

INLEIDING

Gedurende die eerste nege jaar van sy bestaan het die Sentrum vir Intergroepstudies gereeld 'n jaarverslag oor sy werksaamhede gepubliseer. Om die Sentrum se 10de verjaarsdag op 1 April 1978 te vier is die jaarverslag in 1977 vervang deur 'n Oorsig oor die Eerste Tien Jaar.

DIE OORSPRONG EN DOELSTELLINGS VAN DIE SENTRUM

Die Sentrum word grootliks gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) - 'n maatskappy beperk deur garansie en sonder 'n aandele-kapitaal kragtens die Maatskappywet 1973 (Wet Nr. 61 van 1973).

Gold shares boom in heavy trading — metal at new peak

(79) C-Times 23/8/79.

Appointment

Mr Rex Glanville, managing director of Checkers, has been appointed to the board of the holding company, Greatermans (SA) Ltd.

By PAUL DOLD
Financial Editor

GOLD shares boomed on the Johannesburg Stock Exchange yesterday with gains of up to 14 ancent as the gold price reached new highs.

Gold fever gripped the market as the metal was fixed at a record $311,50 in the morning and $311 in the afternoon after touching highs of over $312 just ahead of the late fixing.

Gold's advance in trading described as very big was not accompanied by any weakening of the US dollar which remained firm yesterday.

The price, eased back from morning levels later in the day, but heavy United States buying in the afternoon pushed the price higher. The US demand was not maintained at around the $312 level and the late fixing eased to $311.

Although gold came off the top to $309,25 at the close, the current trend suggests that further advances are likely in coming weeks. Some analysts are predicting a $350 gold price before the year end. It surely cannot be long before the United States halts its expensive gold auction programme which is enriching investors at the expense of the US Treasury.

The current record levels will increase liquidity in the South African economy and, of course, State tax receipts will rise even higher. While the authorities are correctly not relying on the current gold price in preparing their monetary and fiscal policy the way does seem open for stronger stimulation, particularly from a fiscal viewpoint.

Yesterday's surge followed exceptionally heavy bidding at the United States Treasury auction by the Dresdner Bank which is believed to be acting for Middle East clients.

Dresdner bid for 720 000 ounces — virtually the entire US offering at prices above the $300 level.

Reuter says the strong demand was triggered by the better than expected average price at the auction of $301,08 and by the total bids of 2,3m ounces entered for the 750 000 ounces on offer.

The demand at the auction was assumed to reflect a lack of confidence among investors in the US Government's chances of cutting back the inflationary trends in the economy, and uncertainty over political developments in Iran, the Middle East and India.

Bids were received from 18 firms for 750 000 fine troy ounces

At last month's auction bids were submitted by 19 firms for about 2,1m ounces of gold.

The next gold aucton has been scheduled for September 18, again covering the sale of 750 000 ounces.

In one of the heaviest trading sessions of the year, total market turnover on the Johannesburg stock market rose to nearly R9,4m with the bulk of the business on the gold board.

Brokers were working flat out yesterday coping with heavy local demand and at least some of the trade consisted of large lines put through as special bargains.

The financial rand was quoted at 86,75/87,50 after opening at 85,50 and after a high at 87,00/75.

Six of the top trade shares yesterday were well above the R200 000 mark with only one non gold — Edgars — featuring.

Largest gold gain of the day was Sallies 14 percent but rises of 6 — 8 percent were spread across the board. The buying was based on the shares' recent performance which has tended to lag behind the metal and, obviously, investors believe the stocks are fair value at this stage.

The so-called marginal mines were very active. Mining financials went ahead with producers.

De Beers came back 33c after its results but the counter also felt the impact of financial rand deals as overseas investors went into golds.

Industrials were firm in quiet trade. Tiger Oats firmed 10c on its profits. Edgars was a firm spot on high volume while local shares, Trio-Rand and Duros were bid higher.

The market was impressed with Trio-Rand's recovery, while Duros continues to attract buying.

c) Ander lede:

Mnr K. Bosman
Professor A. Cupido
Mnr N. Daniels
Mnr Achmat Davids
Professor R.J. Davies
Professor J.J. Degenaar
Mnr René de Villiers
Dr I.D. du Plessis
Professor J.J.F. Durand
Professor J.B. du Toit
Mnr A. Fiederman
Professor R.F. Fuggle
Mnr G.J. Gerwel
Eerw. D. Guma
Professor A. Paul Hare
Dr Gertrud Heydorn
Mnr F.A. Jacobs
Mnr H.M. Jimba

Mnr H.W. Mid
Eerw. M.T.L.
Professor A.
Sheik A. Na
Mnr Victor
Professor N.
Mnr L. Phil
Professor H
Mnr W.J. Se
Mnr Frankli
Mnr P.M. Sc
Regter J.H
Mnr R. Tob
Professor R
Professor
Mev. S. Wa
Professor

d) Twee Ere-Fellows:

Professor J.L. Boshoff
Dr Sheila T. van der Horst

Lede word na die Algemene Jaarvergadering van die Maatskappy uitgenooi en kies elke drie jaar 'n verteenwoordiger op die Beheerraad. 'n Verkiesing is in 1978 gehou en die huidige ampsdraer is Biskop A.W. Habelgaarn. Terwyl geen verpligtinge aan lede opgelê word nie, word hulle geraadpleeg in verband met sake wat die Sentrum se program raak.

NAVORSING

Gedurende die verslagjaar het die navorsing van die Sentrum die volgende behels:

A. Mobiliteit en Politieke Verandering in Suid-Afrika

Hierdie projek is 'n paar jaar gelede aangepak. 'n Ondersoek onder die kleurling bevolking van die Kaapse Skiereiland is onderneem. 'n Aantal tydelike navorsings-

Die hoofdoel van die Sentrum is om navorsing na die onderlinge groepsverhoudinge in Suid-Afrika te bevorder en te lei, in die besonder oor verhoudinge tussen rasse- en taalgroepe.

AKADEMIESE ADVIESKOMITEE EN RAAD VAN BEHEER

Die program van die Sentrum staan onder die toesig van 'n Akademiese Advieskomitee wat in 1978 bestaan het uit die Direkteur (Voorsitter), die Prinsipaal van die Universiteit van Kaapstad, Sir Richard Luyt, die Adjunk-Prinsipaal, professor M.F. Kaplan, professor W.H.B. Dean, professor G.F.R. Ellis en mede-professor D.J. Welsh.

... 'n Beheerraad waarvan die ...

PERSONEEL

Die vaste personeel bestaan uit die Direkteur, professor Hendrik W. van der Merwe, M.A. (Stellenbosch), Ph.D. (Kalifornië), die Administratiewe Assistente, mev. H. Albertyn en 'n deeltydse sekretaresse, mev. B.J. Chapman.

Gedurende die jaar is mejj. Morna Cornell en Ruth Rutherford as tydelike klerklike assistente en mej. Judith Cornell, B.A. (Universiteit van Kaapstad) as deeltydse navorsingsassistente in diens geneem. Twee ere-

kampus, waar ons gedurende die laaste vyf jaar gehuisves was, ontgroei. Daarom is ek besonder dankbaar vir die ekstra ruimte wat ons nuwe kantoor in die Leslie Social Sciences Building op die Groote Schuur Campus aanbied.

Ek wil weereens die Carnegie Corporation en die Algemeen Diakonaal Bureau van die Gereformeerde Kerken van Nederland bedank vir hulle gulle ondersteuning van die Konstruktiewe Program wat ons in staat gestel het om meer personeel aan te stel en om publikasies en werkgroepe te finansier. Ek wil ook graag weereens die ondersteuning deur plaaslike skenkers, firmas en trusts noem, kort nadat die Program gestig is. Hulle hulp het dit moontlik gemaak om etlike publikasies gratis te versprei onder almal wat in die bevordering van 'n oop samelewing belangstel.

Ten slotte is dit met innige genoeë dat ek my verpligtings teenoor die ere-navorsingsbeamptes van die Sentrum vir hulle bydraes tot die navorsingsprogram, boekstaaf en teenoor die personeel vir die wyse waarop hulle hulle pligte gedurende die jaar uitgevoer het.

Hendrik W. van der Merwe
Direkteur

Desember 1978

BUSINESS

Record fix sends golds climbing

79

Star 24/8/79

By Stephen Suckley

This morning's blazing start in gold shares was further extended as the price of gold was fixed at a record 314,70 dollars an ounce in London.

The confident trend this morning was sparked off by huge orders from New York which were met by a lack of scrip on offer.

The rush into gold shares was also bolstered by the announcement of the US trade deficit and in early afternoon trade higher-priced issues had moved up to 110c higher.

Marginal and speculatives also benefited, gaining between 5c and 20c.

Enthusiasm spread into other metals and minerals shares as well with useful gains in platinum and coppers. And despite a firmer financial rand De Beers rose 5c. Selected coal shares also came in for some demand with Trans Natal up 5c and Nat Coal up 2c.

Industrial shares were firmer but quiet owing to the activity in the gold sector. Heavyweight Foschini in stores rose 150c. Across the board gains outnumbered losses by about five-to-one.

Star 24/8/79

79

Gold soars to even higher levels

By Michael Chester
Financial Editor

The gold bonanza was resumed today as bullion market telexes chattered out the news flash that bullion records had been shattered yet again with prices over 315 dollars an ounce in the United States.

The 311,50-dollar record created in London at mid-week was first toppled in New York last night when the session closed at 314,90 dollars.

Within hours, as time zones carried the action across to San Francisco, the gold price had touched a new peak at 315,25 dollars.

London opened trading today at 313,50 to 314 dollars and the 10.30 am fix was a record 314,70 dollars.

Factors behind the renewed gold rush in the US in particular included fresh nervousness about the dollar because of rises in the American money supply while inflation was taking a still tighter grip on the consumer price index.

The longer-term prospects for gold were also enhanced by steep rises on the US futures markets.

On the New York Comex, prices for gold earmarked for delivery in August 1980 climbed to 347,50 dollars and June 1981 deliveries were at 374,30 dollars.

The gnomes of Zurich were also fuelling the gold rush — first with predictions that bullion had scope to reach 320 dollars an ounce or more in the next few weeks.

Most of them were regretting on reflection that they had not been bolder with bids at the big US Treasury gold auction held in Washington at mid-week.

The West German Dresdner Bank scooped the pool almost dry by securing as much as 720 000 ounces of the 750 000 ounces on offer on bids around 301 dollars.

By yesterday the Swiss bullion dealers had worked out the breath-taking estimate that if Dresdner had gone into the open market to buy such an amount — 200 million dollars worth at auction prices — bullion would have rocketed as high as 400 dollars an ounce.

kampus, waar ons gedurende die laaste vyf jaar gehuisves was, ontgroei. Daarom is ek besonder dankbaar vir die ekstra ruimte wat ons nuwe kantoor in die Leslie Social Sciences Building op die Groote Schuur Campus aanbied.

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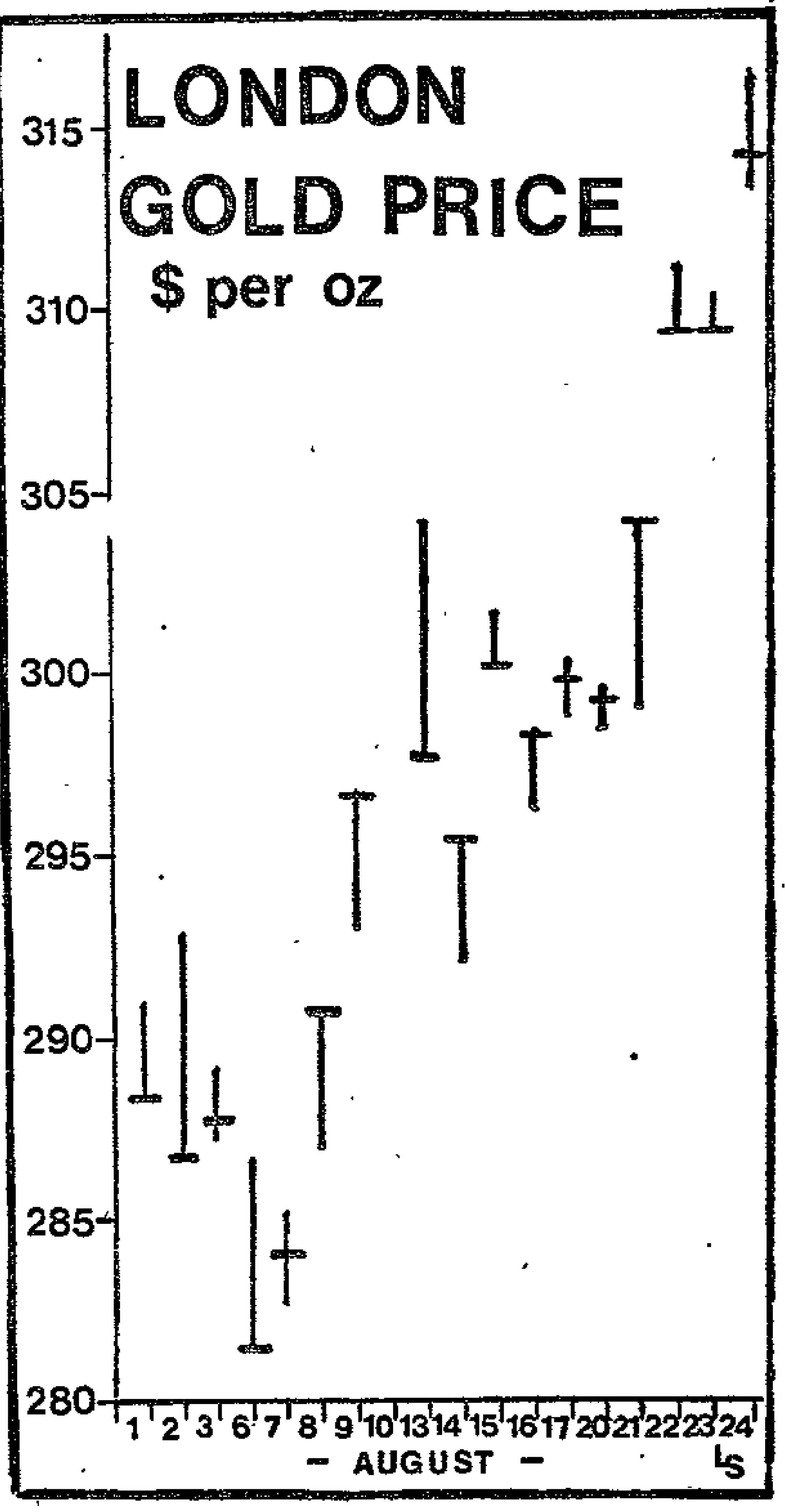
Ten slotte is dit met innige genoeë dat ek my verpligtings teenoor die ere-navorsingsbeamptes van die Sentrum vir hulle bydraes tot die navorsingsprogram, bokstaaf en teenoor die personeel vir die wyse waarop hulle hulle pligte gedurende die jaar uitgevoer het.

Hendrik W. van der Merwe
Direkteur

Desember 1978

Star (79) 25/8/79

A chance to share in the gold rush



A sizzling August . . . the graph charts the upward path of the gold price on the London market this month.

"Whether measured on a 'present value' basis or by the historical relationship between the gold price and share prices, gold shares have never been so cheap.

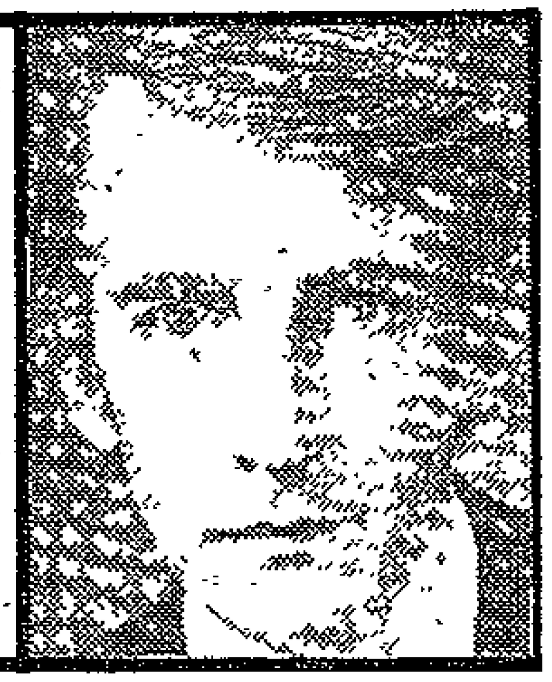
"Prospective dividend yields even to UK investors are particularly attractive and adequately compensate for any political risk that might exist."

That was the view of London's Investors Chronicle last week — advice which has been offered here for some time, and advice which has proved very valuable even before the printers' ink had dried.

Yet again it has been a good week for bullion, and not too bad a week for gold shares. However, the complaint remains that gold shares have not followed their master with the same gusto.

Disappointing though this lack of follow-through may be to gold share holders, it does give those still sitting on the sidelines the opportunity to join in.

Colin Campbell in the market



The new trigger which excited the market this week was the highly successful American gold auction, and the record London fix. The market is now awash with talk that the Arabs lie behind the heavy bid by Dresdner Bank.

No one should be surprised if the Arabs do move into gold and out of dollars. For too long they have been seeing their paper mountains melt like ice in the desert heat.

The cry "the Arabs are coming" has gone up in the financial corridors of the world for some time, but for lack of proof it failed to impress. Those old suggestions that the Arabs just were not interested either for religious reasons and/or because gold does not generate interest, which the Arabs just love, were then too strong.

SOLID

Now those suggestions as to why the Arabs wouldn't go into gold have lost their strength.

Even without the idea of Arab interest, there are still very solid reasons for considering gold and gold shares.

I still can't see evidence to suggest the world is getting its monetary house in order. There is little bright news from America — either politically or economically — and though that annual IMF jamboree is due to be held shortly, where bankers slap each other and congratulate themselves on how well they have done, I can't believe there will be any solid solutions.

PROMISE

That aside, there is the promise of the September dividend season just around the corner.

The Investors Chronicle suggests the profit figures for the September quarter will show a further significant advance despite a further rise in operating costs resulting from an increase in black wages.

The average gold price in the March quarter was 244 dollars and 261 dollars in June. But the September quarter average to date is nearer 290 dollars.

Even though capital expenditures are expected to continue at the very high levels of recent years, the amount of distributable earnings should be higher.

De Beers silence fails to comfort

I find it a great pity that **De Beers** does not choose to follow the example of so many other companies and add a few words of its own at the interim reporting stage.

There must be a number of anxious investors who are puzzled as to why the company has merely held its dividend and has reported lower earnings for the six months ended June. Though the signs were perhaps there from the diamond market, a few official words would have been of some comfort.

The merely maintained dividend arrests De Beers' track record, and though there is hope that it will make up for this setback come yearend, De Beers has lost a measure of its investment glamour.

The disappointment about the dividend stems from the fact that interest and dividend income rose by 27,5 percent. As this source of revenue is one that is closely looked at when dividend declarations are considered, it is somewhat surprising the board did not make even a modest increase in the half-time payment.

Unless, of course, it is very worried indeed about the outlook. With world economies still fragile, it might be expected investors will still turn to diamonds as a hedge. But with interest rates tending to rise, especially in America, the cost of hedging in diamonds has to be considered.

While there is no doubt De Beers remains a solid company — those fancy cash balances will be earning respectable interest — this week's results do make De Beers a slightly lighter shade of blue.

Sunny prospects

Wednesday sees **Southern Sun** make its stock market debut. After the flood of applications and the decision to make it a lucky dip as far as who gets shares is concerned, will there be a rush of interest come Wednesday?

Anything can happen between now and Wednesday, but if the stock market continues to show anything like its current strength, a good demand must be expected.

As for the opening price . . . well, the common range seems to be between 175c and 200c. The shares were issued at 150c on a historic dividend yield of seven percent. On the historic basis, an opening price of 200c would put the shares on an "old" dividend yield of 5,25 percent.

If we didn't know what SA Breweries paid last year and worked on an out-of-date payment of 11c a share, SAB this week would, at 177c, be on a historic yield of 6,2 percent. Knowing it paid 12c a share, the true yield is 6,8 percent.

Putting Southern Sun on a 6,8 percent yield, and assuming it will be paying at least 12,5c a share, the opening price should be 185c.

For starters that wouldn't be a bad debut, offering as it would a 23 percent premium over placing price.

Congratulations

It is, I believe, considered fair game to congratulate the Reserve Bank on its annual profit and loss account, and with more sincerity than flippancy to make a dig at the dividend.

This year was no exception, and it was Nedbank's turn to "congratulate" the Bank on its profit for the year of R21,48m.

That profit is struck after "all expenses and making provision for income tax, interest payable, rebate on bills not yet due, other liabilities and contingencies and contributions to the Bank's pension fund, and after providing for the diminution in the value of securities, writing down fixed property and furniture and property equipment, and after providing a reserve for future expenditure on fixed property and equipment." WHEW!

After the fancy profit guess what the dividend is? No less than R200 000, which makes it cov ed 107 times!

THE JSE THIS WEEK

Gold see-saw leaves investors in confusion

By Jean Moon

The see-saw of the bullion price left investors utterly confused on the JSE this week.

At the beginning of the week when bullion remained below 300 dollars, some investors were tempted to take their already excellent profits, expecting to be able to cover in holdings lower down.

Alas for them, the gold price zoomed back upwards to break into new ground. Technically, another triple-top formation has been broken, which is highly bullish for gold in the medium term.

By the end of the week frantic bidding was taking place on the floor, but very little scrip was on offer. While the number of deals was high, the number of shares changing hands with each deal was low.

NERVOUS

The whole gold share market is becoming increasingly nervous. It has been pointed out that the daily changes we are seeing at the moment are of the same magnitude as movements taking weeks or even months a few years ago.

Some people are speculating that these movements have been far too fast to be sustained, but are nevertheless climbing on the bandwagon and taking profits when possible.

It has not been just golds that have attracted attention, as the whole market has been moving better in unison. The amazing fact is that all movement has been completely independent of the dollar, which has remained hardly changed for the past three weeks.

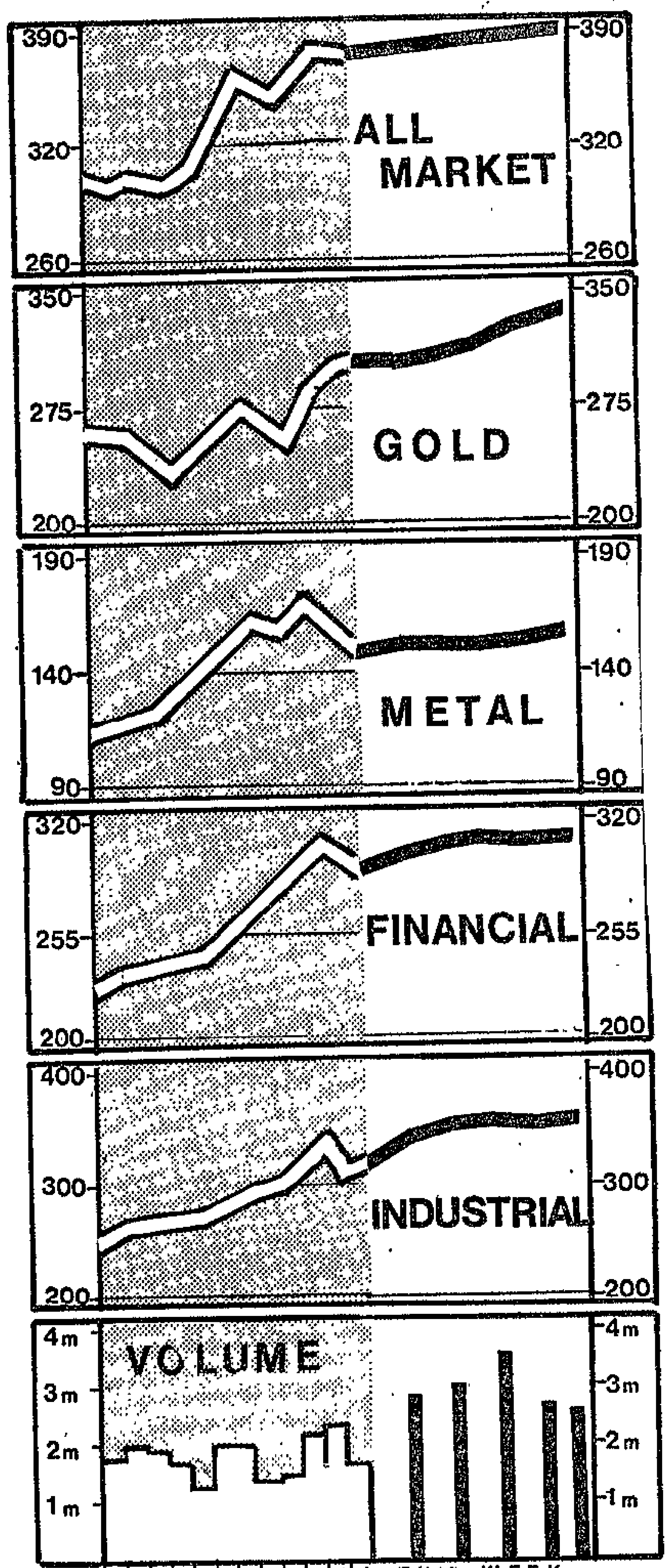
In particular the industrial market has been taken far more seriously than for years. The drop in the bank rate had been anticipated — and attracted good long-term investment — but once it was announced the small man suddenly became aware of the far better yield obtainable for equities than from banks and building societies.

The market has almost been cleared of all top line (blue chip) industrials, and now investors are taking a serious look at "second rankers." The recent rise in industrial share prices has reduced dividend yields, but the majority of companies reporting now tell of improved profits, and in many cases improved dividends.

Many of these "second line" shares are offering yields of eight to 10 percent (or even more) before their results are announced, and brokers are tending to put clients into companies with the most potential growth.

Platinum shares have also come in for plenty of attention and price rises during the week have been significant. Even so, Impala Platinum still offers a highly attractive dividend yield.

The yields for Gefco and Msauli currently look appealing, although asbestos counters have moved well out of the limelight.



Graphs by Lindsey Sanderson

These graphs chart the performance of The Star share indices for major divisions of the Johannesburg Stock Exchange over the past week, together with volumes of trading. The shaded areas of the graph cover the average of the previous 12 months' dealings for comparison.

(79) FM 31/8/79

DENNIS ETHEREDGE/GERALD LANGTON

Just jubilant

Speculation about gold going to $400 an oz (remember when $300 was a lot of wild talk?) is causing mild trepidation in the least likely place: Anglo's boardroom. Laymen outside the mining industry can be forgiven if they fail to understand why the 21 board members are not dancing on their polished table (every time gold rises $1 the annual effect on Anglo gold mines' cash flow increases by $8m). But, amid the general euphoria, somebody has to look after the shop.

"We're delighted with the price but we also have to think of the future," says Anglo gold and uranium division chairman (and Chamber of Mines president) Dennis Etheredge.

He has an almost *deja vu* view of gold's record-breaking climb. Etheredge recalls that four years ago producers worldwide ran into buyer resistance even at well below $200 an oz. This was almost entirely attributable to the rise being too rapid rather than, with hindsight, the metal being too expensive.

"The jewellery industry takes 70% of production and we don't want the price to scare them off. Rapid rises frighten them and they get very wary," says Etheredge.

Gold division MD and chief executive Gerald Langton adds: "We thought $200 was a good price. Breaking $300 makes us nervous."

Not the sort of nervousness that brings on a skin rash though Langton's foreboding about a *too-high* price merits a little expansion. As he puts it, what is good for Anglo (and other gold producers) this time round is not necessarily good for the rest of the world . . . including SA's non-gold sector.

After a certain point every dollar spent speculatively or protectively on the metal endorses mounting pressure on global economics. International trade, including that of SA, eventually dips.

Says Langton: "We're jubilant at the price but the basic reasons — oil, energy the US economy — don't make me happy. So we're not blindly jubilant."

A rational view, true, but not the sort of logic to convince people outside the gold world that digging up 261 271 kg of the yellow stuff (37% of SA production last year) can be such an ulcer-forming hassle. In reality, it is. Having processed 27 Mt of ore, to get just more than 250 tons of glittering bars, the merchandise is put on a market that mostly buys only one oz at a time. Ideally, price rises should be slow and steady. Too much money all at one time seems to throw out both buyers and sellers.

Etheredge has a more pithy *rationale*. He says: "Put it like this, I sleep better at $310 than I do at $197."

Etheredge . . . sleeping much better at $310

SUNDAY TRIBUNE, SEPTEMBER 2, 1979

THE JSE REPORT:

DIAGONAL STREET

Scrip shortage hampers gold trading

(79)

WE HAVE a gold boom on our hands. The gold share index has risen more than 11 percent in eight trading days, but dealers continue to remark upon an nervous undertone. As the bullion price neared 320 dollars an ounce, up more than 20 dollars in seven trading days, investors are beginning to talk of technical reactions. But although the run has been swift, there is no technical resistance in sight.

In fact, the break out of the congestion area on August 22, gives a six months projection of nearly 390 dollars. But, technicals show that some gold shares have moved into overbought positions and bullion about six percent too high.

Heavy demand for gold shares has come from all sources and buyers, because of scrip shortgages unable to acquire the shares of their choice, were seen to switch to other more available gold shares. Although volume began to build up towards the end of last week, trading this week was three times as high than that of two weeks ago.

Even if the price of bullion comes down in the next few days, depressing share prices with it, there are still some excellent yields available.

Brokers are still urging clients, wishing to invest in gold shares for income purposes, to carry on buying, taking advantage of any setback that may be seen. September dividends are expected to be good.

tinued to hamper serious investment. Some shares have been pushed unnaturally high by persistant buying. One broker reasons that institutional and other dealers perhaps lack the experience, gained by the old hands who remember techniques learned in 1969. Inexperience has led to dealers persuing stocks as the price moves upwards, rather than reduce the pressure and let it drift down to a more reasonable level.

The Southern Sun issue hit the market with a bang on Wednesday and even attracted a visit from Sol Kerzner on the Stock Exchange floor. Stags made an immediate 30 percent profit when the share came on at 195c over a placing price of 150c. Later dealing allowed it to slip to 192c, but it closed the week at 209c.

Clicks came out with its first set of figures since its registration on March 27. Assuming it has owned its investment in its subsidiaries for an entire year, turnover improved 25 percent for the year to June at R39-million. A slightly lower tax rate produced a 44,5 percent rise in after tax income to R1,8-million. A figure of 18,52 cents has been calculated for net earnings which compares with 12,82 cents in the previous period, and a dividend of 6,96 cents compares with 5 cents for the corresponding period.

In the gilt market, the difficulty in finding [illegible]

ONION RINGS

May Bennett, Ridgeworth

Peel and slice lárge onions, and separate the rings. Heat a pan; add oil. Dip the rings in milk and then coat with flour, and fry till brown in the hot oil. Drain the oil off on a paper towel, and season with salt and pepper.

---oOo---

[illegible] managers are tending to turn their backs on the majority of investment, other than equity investment, as yields lag well behind the rate of inflation.

Although the industrial market was largely overshadowed by gold, and tended to move sideways, a continued scrip shortage con-

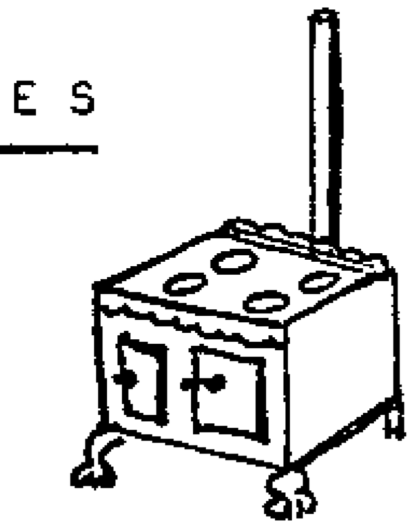
quieter conditions. Interest rates continue to fall, and are expected to reduce further. Escom has withdrawn from the market until its new issue is behind it. The new Johannesburg 11 year stock due to come onto the market soon, is expected to be at 9,17 percent, good competition for Escom.

Close	All Market	Golds			
At noon	400 3	335,8	159,5	317,1	353,6
August 30	399,7	335,9	158,6	315,8	354,1
August 29	397,1	331,8	158,8	314,4	354,4
August 28	396,4	330,6	162,3	312,7	354,3
August 27	393,7	322,4	162,5	315,8	354,9
August 24	392,5	320,4	160,1	311,8	355,1
August 23	389,2	314,3	153,4	310,4	355,7
August 22	387,6	315,6	161,8	311,6	356,4
August 21	384,8	306,[illegible]	[illegible]	[illegible]	[illegible]
Month ago	381,9	298,2	142,3	292,3	322,9
Year ago	[illegible]	280,[illegible]	118 [illegible]	[illegible]	284,7

Bases at 1960: All Market — 100 Golds — 47,9. Metals and Minerals: 27,1. Financials: 100. Industrials: 89 9

O L D F A M I L Y O R V I N T A G E R E C I P E S

1820 and All That!



FRENCH PANCAKES - 1902

2 eggs	2 ozs flour
2 ozs butter	1/2 pt of new milk
2 ozs sifted flour	

Beat eggs thoroughly, add butter and beat to a cream, stir in sugar and flour, and when well mixed add the milk. Beat well for a couple of minutes. Pour on to buttered plates and bake in a quick oven for 20 minutes. Serve with a cut of lemon and sifted sugar, or pile on a hot plate, with a layer of preserve or marmalade between them. Time, 26 minutes, average cost, 6 d, seasonable at any time.

---oOo---

SPATCHCOCK - 1900

1 young fowl	parsley
brown bread crumbs	onion
herbs	

Cut the fowl through the back bone, and open out flat. Brush with melted butter. Sprinkle with salt and pepper, chopped onion and chopped parsley on both sides. Sprinkle with mixed herbs. Grill till 1/2 done, then cover with breadcrumbs and continue cooking till well done. Serve with a sharp sauce.

---oOo---

PLUM PUDDING

May Bennett, Ridgeworth

2 cups flour	1 small cup chopped raisins
1 t baking powder	1/2 grated beef suet
1 large cup brown sugar	1/2 pt milk
1 cup currants	1/2 t salt
3 beaten eggs	a little mixed peel finely cut
1/4 t ground spice	

Mix all ingredients together well. Tie in a pudding cloth, and boil for three hours. Serve with hot nutmeg sauce. This recipe was used for Christmas dinner in 1916 by my mother and gran, who says "we used 1 cup of flour and 1 cup of stale breadcrumbs instead of 2 cups of flour. Very successful".

---oOo---

MUTTON, ROAST SHOULDER OF 1900

shoulder of mutton	salt
dripping	flour

Put the joint to a bright clear fire, floured well. Baste contin-

Sunday Express 79 9/9/79

79 Business

My, how the money keeps pouring in!

GOLD is still on its way — how far past last week's record $340 and for how long are the questions of the week.

As the last bear's claws are clipped, the spot market will lose its last constraints and a next-notch advance to $340-plus is indicated, followed by a twang back to the $300-plus level before the bulls charge again towards $340.

The upward impetus can only be coming from the petro-dollars of the Middle East and Jimmy Carter's influence on the dollar.

As a gauge to what the price now means to South Africa, every $10 increase equals a R200-million a year boost to our revenue which, as Chamber of Mines president Dennis Etheredge says, is "good for the gold mines, good for the nation as a whole and particularly good for the balance of payments".

What a glittering difference has overtaken the industry, compared even to only two months ago.

The average price received by the mines for the first six months of the year hit R206,58 an ounce, compared with R164,07 for last year's first half.

So what, now, is left in golds?

As always from the mining point of view, the higher plateaux of price involve continuous computer exercises in reassessing previously unprofitable areas, beyond even the state subsidies claimable.

INVESTMENT EXPRESS

This week gold euphoria kicked even marginal mines into heavy activity and their momentum looks good enough — on bullion's tail — to hold significant profits for short-term investors.

Further away, but still in the offing, are the Free State prospects propounded by the bullion price for such low-grade producers as FS Saaiplaas, Lorraine and the Harmony complex — all now on newly firmer footings.

And, counterpart of Unicorp's Beisá, east of Welkom, lies the enticing Erfdeel-Dankbaarhied area. To the south and south-west of the goldfields the whirr of the drill-rigs is now loud in the land.

Developments in the Klerksdorp field have been very satisfying, particularly in the move westwards to exploit Afrikander Lease — there's reason to wonder whether further expansion in this direction is on the cards.

The West Wits Line is also in an expansionary phase. Elandsrand is now on stream and Deelkraal is about to flow.

The Western Ultra Deeps area, as well as areas bordering West Driefontein and East Driefontein, south of Kloof and Western Areas, have all been seriously approached and drill-probed.

This is a prolific production region accounting for a third of the industry's total — with the potential for considerably more to come.

West Rand also holds possibilities for revitalisation, as Randfontein indicates.

It has been a long-held belief that either Randfontein or Durban Deep could exploit the, by now, enticingly viable deep-level reefs underlying South Roodepoort, which attracted much comment less than a year ago.

East Rand has unexploited areas evidenced by the drilling south of the old Sallies mine. Some of the great old mines are still producing and the shaft systems are already there.

At the right price, much becomes possible — even another Ergo project promoted by Rand Mines.

The rain of cash could also lead to mining innovations on a much larger scale — more mechanisation, for instance. An expensive business, but eventually a great profit-booster.

MARKET INFORMATION / EXTRACTS FROM LATEST ACCOUNTS

PRICE 1	HI 2	LOW 3	VOL 4	COMPANY 5	EPS 6	DPS 7	NAV 8	PRETAX 9	TAXED 10	GSF 11	ACID RATIO 12	L/T 13
867	878 AUG	605 NOV	436	ANGLOS	91,3 69,9	46,00 36,20	1546 1028	267500 258678	204600 194831	1103 955	,9 1,2	13,2 17,4
115	155 FEB	100 DEC	27	ALEXHOW	2,0	 2,00	107 134	63	22	117,2 110,9		
25	30 AUG	14 JAN	40	BRIST IN	1,7 1,8	2,80 1,50	43 43	227 234	177 183	4 4	,2 ,4	68,1 66,7
435	515 MAY	340 OCT	7	CLORIDE	51,3 57,2	26,00 23,00	331 296	3398 3589	2307 2576	14 13	,7 1,0	11,1 23,2
80	100 JAN	70 JAN	13	CONSURE	2,8	 2,00	41 38	76	76	1 1		
275	315 FEB	220 JUL	37	DUNLOP	51,8 32,2	26,00 17,00	225 194	11530 7677	7771 4830	35 30	,7 ,7	19,5 24,6
210	210 AUG	150 JAN	1	DELSWA	49,2 22,4	17,50 12,50	718 687	507 271	329 150	5 4	1,1 1,3	3,4 4,9
300	305 AUG	165 SEP	43	FREDDEV	21,0 15,5	15,00 12,00	357 247	763 584	763 563	5 4	1,0 1,2	
218	235 APR	170 NOV	182	FED VOLK	37,4 30,8	16,80 15,00	656 462	37125 16573	11133 7289	170 124	,5 ,5	48,9 41,3
125	125 AUG	55 OCT	26	G I C	41,0 7,5	10,00 5,00	204 172	1901 544	1158 212	5 4	,6 ,5	12,1 16,4
105	105 AUG	85 JAN	12	HOSKEN	16,6 20,3	13,00 10,83	80 76	1500 1685	974 1325	5 5		
250	320 OCT	200 DEC	40	HWL	40,9	21,00	140	1739	1005	3	,9	26,2
44	55 APR	27 MAR	12	I L BACK			10 11			3 3	,6 ,7	,9 50,0
70	75 NOV	35 APR	16	IGI	7,5 17,3	7,00 7,00	79 78	728 1017	544 997	5 4		
610	625 AUG	400 OCT	31	IND SELE	62,1 50,0	46,00 40,00	819 565	3957 3299	3913 3152	19 18	1,2 1,0	
60	60 AUG	35 JAN	5	JADE	10,9 5,5	4,50 3,50	53 45	86 70	72 56	2 2	,7 ,6	
265	275 MAY	195 JUL	86	L T A	55,7 52,9	21,00 19,00	303 271	11054 10338	7110 6625	41 36	,7 ,7	12,6 14,3
200	220 JUN	150 AUG	2	MONI F	12,2 35,2	12,50 12,50	350 348	509 1396	344 990	7 7	,4 ,4	43,4 34,8
138	165 MAY	100 JAN	22	MERTRU	45,7 ,3	15,00	156 114	945 321	548 4	6 6	,7 ,8	58,3 98,4
680	680 AUG	480 OCT	26	NATSEL	67,0 55,4	50,00 46,00	915 659	3524 2950	3520 2908	13 12	,4 ,1	
76	108 MAY	39 SEP	26	PRESCAT	16,4 12,0	5,25 5,00	65 103	1205 678	706 389	2 3	,7 1,3	1,1 2,0
570	730 FEB	560 AUG	89	PEP	122,6 101,7	54,06 47,18	446 392	9877 8992	6863 5696	25 21		31,9 37,1
265	265 AUG	140 NOV	129	PLATE GL	39,6 22,0	14,00 10,00	452 427	13423 9478	5654 3141	87 84	,9 ,8	34,3 33,9
112	120 AUG	45 MAR	186	POWTECH	1,9		14	69	41	2	2,8	2,5
68	83 MAY	34 JAN	10	RHO CORP	6,9 7,4	,99 ,89	94 81	579 659	353 379	3 3	4,3 4,2	10,4 11,7
455	480 AUG	330 JUN	196	REMGRO	185,2 145,9	25,50 22,50	1253 902	116581 120659	96678 76183	639 630	1,1 ,5	11,3 16,7
395	400 AUG	200 SEP	65	SMITHS	47,3 39,6	33,00 27,00	351 299	28113 22636	15021 12580	111 103	1,0 ,9	5,7 7,3
46	49 AUG	20 JUL	5	SINCLAR	3,8 6,3	5,00 2,50	63 64	119 196	119 196	1 1	1,0 1,6	55,8 54,8
98	125 FEB	85 AUG	29	STERNS	20,7 30,2	11,00 10,00	167 158	1326 1968	774 1134	6 5	1,1 1,1	
33	37 AUG	14 NOV	159	SVENMIL	4,6		17 13	362	359	1 1	,5 ,5	35,6 49,6
290	290 AUG	200 JUN	47	TEGKOR	116,8 98,0	16,10 14,20	252 229	19454 16312	19445 16304	133 99	1,1 1,1	
420	420 AUG	208 SEP	56	TONGAAT	61,3 51,6	23,20 20,00	657 596	18273 13211	12582 10546	159 129	,8 ,7	38,2 32,1
155	160 AUG	110 NOV	345	UNISEC	14,8 12,7	11,25 10,50	192 172	7460 6630	6198 5315	90 90	,9 ,9	37,9 41,4
43	45 AUG	30 DEC	62	VETRUST	3,9 4,3	3,85 4,30	50 48	596 664	589 658	7 7	1,3 1,3	

Gold rises on US buying

79 RDM

12/9/79

LONDON. — The gold price rose to $339,50 at the second fixing in London yesterday on strong buying, particularly from the United States. The morning fixing was $338,65 and Monday's second fixing was $336,30.

There were no other new factors, but gold remains firmly underpinned by market fundamentals and rose to $339,25/$340 after the second fixing yesterday.

Dealers said that volume of business increased from the morning fix. The Hong Kong close was $338,90/$339,40.

Gold futures opened lower on the International Monetary Market and the New York Commodity Exchange.

IMM dealers said a firmer tone to the dollar, coupled with the failure of spot metal to fully reflect futures gains, brought profit-taking and other selling.

Prices on the IMM opened $1 to $3,60 lower and Comex opening trends were off $1 to $3,40.

Gold rose $2,14 to $336,28 from Monday's 334,14.

In Frankfurt, the Bundesbank bought $9 250 000 when the dollar was fixed higher at 1,8115 marks against 1,8049 on Monday.

In London, the dollar was steady at noon in quiet trading around its higher opening levels, underpinned by market expectations of higher US interest rates.

At midday it was quoted at 1,8105/15 marks compared with an opening 1,8095/8105, at 1 6320/30 Swiss francs after 1,6300/10, and 221,05/20 yen from an opening 221,15/25.

CLOSING prices: London $339,625; Paris $355,52; Frankfurt $338,62; Zurich $340,25; Hong Kong $336,28.

Sterling improved slightly to $2,2426/31 from an opening $2,2390/95, and was 0,1 points higher on its effective index at 71,3 back at its overnight level.

The dollar gained strength in Tokyo against the yen in the wake of a Japanese Government announcement indicating a decline in the rate of increase in Japanese exports.

The dollar closed at 221,10 yen, slightly higher than the opening rate of 220,80 yen and nearly a yen higher than Monday's closing figure of 220,225 yen.

One banking source said: "The export figure announcement was not good."

The rate of increase for August was 5% compared with 13% for the previous month.

"There is a fear that Japan's exports might stagnate."

The rate for small transactions at banks and hotel counters declined from Monday's 218,00 yen to 217,75.

9a FM 14/9/79

He who hesitates may be lost

There appears to be little doubt among analysts that the market in golds is in a powerful bull trend. However, there is still confusion and some brokers admit they do not know whether to advise their clients to be in or out of golds awaiting a reaction. They are also uncertain because of high daily trading volumes. Daily turnover is averaging around R5m in mining shares alone.

"In case they don't know it, we've had that reaction, and they had better move back into gold shares fast," retorts one broker. Currently, he says, there are only two over-valued gold shares, Marievale, which is due to stop underground mining operations in the next few months, and East Dagga, a hole in the ground.

Some brokers believe that even the "rubbish" will move in this market. So they are throwing fundamental analysis out of the window and turning to charts to fathom which shares will move the highest and longest.

The charts currently look particularly good for Simmer, which could move to 180c, Leslie with chartists looking for 240c, Elsburg, Western Areas, Afrikander Lease and Rand Leases. Afrikaner Lease could reach 900c in the longer term, with mining due to start in December, and the charts for Rand Leases suggest that investors are not buying the recent statement that the company does not intend resuming mining for its own account.

One big fundamental — the rising gold price — is underpinning the market. One analyst believes bullion will not react before the $370 level is reached and expects this to happen some time next month, when the gold price could fall back to $330 before recovering in November. He predicts that bullion will be trading at $410 by January. The Bank Credit Analyst's advance-decline line is giving a "powerful signal" that a strong upward movement in bullion is already underway.

But, with reactions still to come, the market is expected to be volatile. There is a large nervous element which could sell heavily when bullion reacts. This should not perturb longer-term investors who are looking for dividend yields, but could wipe out smaller investors who are buying with borrowed funds.

Confirming this belief, one broker says

Bidders . . . going bananas

the market could whipsaw all over the place in the next few months. He also believes the bull market could be all over in the next four to nine months. So, those investors adopting a wait-and-see attitude may find they are too late for a slice of the action.

The market is looking the way it did at the beginning of 1974, which saw the start of a very strong bull market taking the RDM index to a high of 460.9 in August, but there are some major differences now. Golds under-performed bullion, which rose to $195 by December of that year before crashing to $103.50, when it appeared that the generally forecast Arab bullion buying had not materialised and that jewellery and industrial demand had dried up at the higher price due to earlier stockpiling. Jewellers even switched to silver at that time. But golds are out-performing bullion and now the story is the Arabs are buying and heavily. Heavy purchases by European banks such as Dresdner, which took 96% of the gold on offer at the last US Treasury auction and is known to have well-established links with the Arabs, suggests oil funds are chasing bullion.

And downturn in jewellery and industrial demand is likely to be marginal, as gold users have been running down stocks in anticipation of a technical correction in bullion which has not been forthcoming.

Also, there is little likelihood of jewellers switching to silver with the metal trading at £5.4/oz - 200% up on the December 1974 price of £1.8.

Another broker believes the market will remain in a bull trend for some months due to the weight of overseas buying, the massive amounts of institutional cash now flowing into golds and the renewed entry of smaller investors into the market. Buying is likely to be fuelled by anticipation of high dividends. This and higher bullion should feed on each other. A recent broker's note indicates that none of the established gold mines is on a prospective dividend yield of less than 11% on mid-August prices.

At current prices and based on a gold price of $340, his projections reveal that heavyweights, such as Buffels, Blyvoor, President Steyn, Western Holdings and St Helena, are on prospective yields of between 13% and 17%. Even at current prices a "marginal" such as Grootvlei offers an 18% yield on these projections. And they are considered to be conservative by some analysts.

While US investment interest in gold has been largely confined to purchases of coins, with US imports running at 116,1 t (50,2 t) last year, share purchases have advanced rapidly. US investors appear to have recognised the high dollar yields being offered by SA golds, especially with the financial rand discount, currently 26%, and with dividends remittable in commercial rand — after 15% non-resident shareholders' tax has been deducted.

According to the Bank Credit Analyst, there is reason to believe the dollar will remain vulnerable and probably weaken due to the continuing strong expansion of US domestic credit, which is currently outpacing money supply growth. The BCA predicts that domestic credit expansion will reach $169 billion next year, suggesting it will increase 18,5%.

So, even if the US does sell more gold and foreign currency bonds to shore up the dollar, increase exports and decrease imports on the back of the weaker dollar, a fundamental flaw remains. This is likely to favour gold holdings as a hedge against the dollar.

Therefore the chances are good that the US will continue to be net buyers of golds. Add to this the renewed interest from Europe in the past few weeks, and a major ingredient for a bull market is complete.

Where to put your money

But, unlike previous bull markets which have fed largely on foreign interest, this time the institutions have been pouring cash into golds — previously an area considered too volatile for major exposure by respectable funds. With yields in industrials looking a little low and double digit yields still to be had in gold heavyweights — even if bullion does fall back to below $300 — institutions have now taken a bolder stance on golds.

Until a week ago, the smaller investor was in the market in a big way but, according to brokers, this buying appeared to have temporarily evaporated as the prices soared and the RDM gold index rose to 337,6 — up 11,2 points on that week. Since then, the index has added another 11,5 points to 349,2. Analysts are now looking for a new record level of over 460.

Where should investors put their money? There appear to be as many views as there are gold shares. Speculators are going for marginals and conservative investors should obviously go for heavyweights. An analyst, who prefers to cater for more conservative clients, believes one should take a reasonably long- term view and opt for the expanding mines like Southvaal or those coming to the end of their capex programmes such as Stilfontein and President Brand. There is also something to be said for Saaiplaas if investors take a two-year view. The mine is likely to announce unexciting results for the next 18 months but, as the mine completes its capex programme and bullion continues to climb, dividends could be in sight in two years time.

It is a fair bet that all the shares are going to move ahead in the next four months, but the end of the bull trend could catch a lot of people by surprise. Indeed, it is unlikely to survive the political buffeting of SA that can be anticipated next year as the US presidential hopefuls vie with each other for the critical black vote.

Peter Pittendrigh

if it is too thick.
serving pour on sour
chives.

BEAN SOUP (Serves 8)

1 pkt sugar beans
1 slice beef shin or
1 Kassler rib or bacon
handful soup celery
2 bay leaves
1 onion studded with 8
2 carrots, chopped
2½ litres water
salt & pepper to taste

Wash beans, cover with
Boil for 2 minutes.
for 1 hour. Bring to
ingredients. Simmer
Remove meat and 1 cup
soup in blender. Heat
beans in each serving
sauce. Cover with sou
crumbled bacon or cro

PRESERVED BRINJALS

brinjals
white vinegar
olive oil
garlic
fresh marjoram

Peel brinjals and cut
Put into enamelled pot
and bring to the boil.

Russian, Saudi gold deal

7a RDM 17/9/79

By HAMISH FRASER

STRONG rumours are circulating in European gold markets that a 60-ton sale of gold by the Russians to Saudi Arabia's central bank was done recently.

The deal is reputed to have been done at $310, bringing in $600-million to the Russians.

Statistics released by the International Monetary Fund reflect a sharp increase in Saudi Arabia's gold holdings and it is common cause that Russian gold sales are materially lower — probably about 30% — that they were last year.

All this leads Hill Samuel's Mr Julian Phillips to the conclusion that the deal is more than rumour.

Mr Phillips interprets the sale as a fundamental change in the gold market, confirming its monetary role.

"For three years there has been an immense battle between the United States and Western Europe on the question of gold's role in the international monetary system. In the Saudi Arabian deal, we have a situation where a major new source of demand for gold has entered the market openly and in defiance of IMF strictures," he says.

It is the first time that an Arab buyer has openly entered the market and in doing so, a new source of non-speculative source of demand has emerged.

It is also the first time a central bank has dealt openly and directly with a gold producer, he says.

● NEIL BEHRMANN reports from London that it is not possible to confirm from gold dealers whether the deal took place. He confirms that there has been much talk of such a deal.

(79) 17/9/79

STAR 17/9/79

Gold at 410 dollars by 1980–broker

HONG KONG — optimistic forecasts in Hong Kong by a South African stockbroker should fuel heavy small saver speculation on the local gold market.

Chinese investors, long attracted to gold, have been leading into the market in recent weeks. The price per tael (37,799 gm) has now burst through the 2 000 HK dollar (R400) mark.

Statements by Johannesburg stockbroker Mr Peter George will hardly stem the run. He told businessmen at a meeting that gold would hit 410 US dollars an ounce by December or early next year.

"Gold, gold shares and South Africa are likely to occupy centre stage in international investment circles during the next three years," he told the seminar organised by the Japan-based International Institutional Investors Club.

Mr George said South Africa was in for a major boom.

He told the meeting that within the next six months the financial and commercial rand would be merged into a fully unitary rand rate sparking a flood of foreign capital into South Africa.

The gold shares index would rise to 560 early next year and after a correction would top 1 500 in 1981. According to Mr George the gold price could by then be around 650 dollars.

Now booming gold cracks $350 barrier

79 STAR 17/9/79

By Michael Chester, Financial Editor

Gold passed another milestone today when world bullion prices cracked all records to top 350 dollars an ounce.

The magical 350-dollar barrier was first broken on the key international market in Hong Kong. In London, still the most influential pace-setter, trading in first deals was between 351 and 352 dollars.

The break through the barrier means that the gold price is now 10 times higher than in the early 1970s when international agreements held bullion fixed at 35 dollars an ounce.

Investors, who bought Krugerrands no longer ago than 1971, when forecasts of 100 dollars were scoffed at by most experts, now show profits of a spectacular 1 000 percent.

Gold is the most important keystone of the South African economy, with every 10-dollar increase in its price reaping in an extra R200-million a year.

The SA Reserve Bank estimates that the value of South African gold output for 1979 will hit R[illegible]-million [illegible] less than 40 perc[illegible] over the total last year and more than gold earned in both 1976 and 1977 combined.

World fear

Even with the burden of high oil prices, gold alone will be able to pay for well over half of every single import coming into South Africa this year.

It is the key to predictions that the national current account of the balance of payments will show a 1979 surplus of more than R2 000-million — by far the highest yet.

The main power behind the gold rush is world-wide fear about rising inflation and the erosion of paper currencies.

Forecasts at the weekend by the International Monetary Fund that the world faces the threat of renewed recession added to the worries.

The Chamber of Mines in Johannesburg is nervous that the gold boom may become too hectic. However, a spokesman confirmed this morning that even at the new record levels the gold price is still underpinned by good industrial demand.

And Mr Peter George, a Johannesburg stockbroker, forecast at a business conference in Hong Kong at the weekend that gold might hit 410 dollars an ounce by Christmas or early in the New Year.

Even investors who did not buy KR coins until January 1979 now show profits of more than 60 percent.

Gold prices zoom higher

Star 18/9/79

79

By John Cavill, Financial Correspondent

LONDON — Turmoil on the foreign exchanges and a rumour that one New York bullion house will try a "clean sweep" bid at today's United States Treasury auction drove gold up to more than 371 dollars an ounce in London today.

In New York, gold prices had been spurred on by fears that Nigeria may take the lead in a fresh round of oil price increases.

And in Hong Kong today gold went on to 366 dollars as records toppled like skittles.

RUMOUR

As the US markets got under way a rumour that J Aron of New York will attempt to emulate last month's coup by the Germans at the Treasury auction added fresh fuel to speculation.

It was the Dresdner Bank's 301 dollars an ounce scoop of 96 percent of the August auction of 750 000 ounces which ignited the gold market.

On the foreign exchanges the dollar was quietly steady but sterling suffered another raid by sellers which forced the Bank of England to come in as a buyer.

The pound was nearly four cents down at one stage to 2,13 dollars — against its peak in July of 2,33 dollars in the wake of high interest rates — before closing at 2,1528 dollars.

Dealers described the run on the pound as "self-generating," just as its climb in June and July had gone beyond logical expectations.

● South Africa produced slightly more gold in August this year than it did in the month of July but less than in the month of August a year ago.

Figures released by the Chamber of Mines show that 59 792 kilos were produced during the month against 58 936 kilos in the previous month and 60 591 in the year ago month.

Bullion market gets new customers

The Star Bureau

NEW YORK — Gold traders and analysts say the latest surge in gold prices gets its impetus from a fresh infusion of affluent investors who have decided to buy gold for the first time.

They are willing to pay almost any price to obtain the precious metal, gold traders say — and sellers want to take profits which have jumped more than 50 percent this year.

Gold purchasers — both new and old, from American housewives to Arab shieks — have been prompted by growing apprehension about the global economy and a lack of faith in major currencies. They are shedding not only American dollars, but also Japanese yen and Swiss francs.

According to Peter Tannus, head of the Arab-owned Petra Capital Corporation, wealthy Arab investors view gold as more than a hedge against inflation and deteriorating currencies.

They also fear Opec may downgrade the status of the dollar as the basis for oil prices.

"Some of the smartest traders I know from the Middle East are investing in gold — many for the first time," says Mr Tannus.

Arab influence is also seen in the results of the past two monthly auctions held by the US Treasury. The auctions have provided an opportunity for wealthy investors to make large purchases.

(79) Star 19/9/79

Call is for gold...at any price

By Colin Campbell

The graph of the gold price in various currencies tells its own story.

It says the gold price is no longer a reflection of a weaker dollar but is charting its own path north.

Gone, it seems, are the days when anxious investors were prepared to hold Swiss francs and other strong currencies in preference to gold. Now, the demand is: gold at any price.

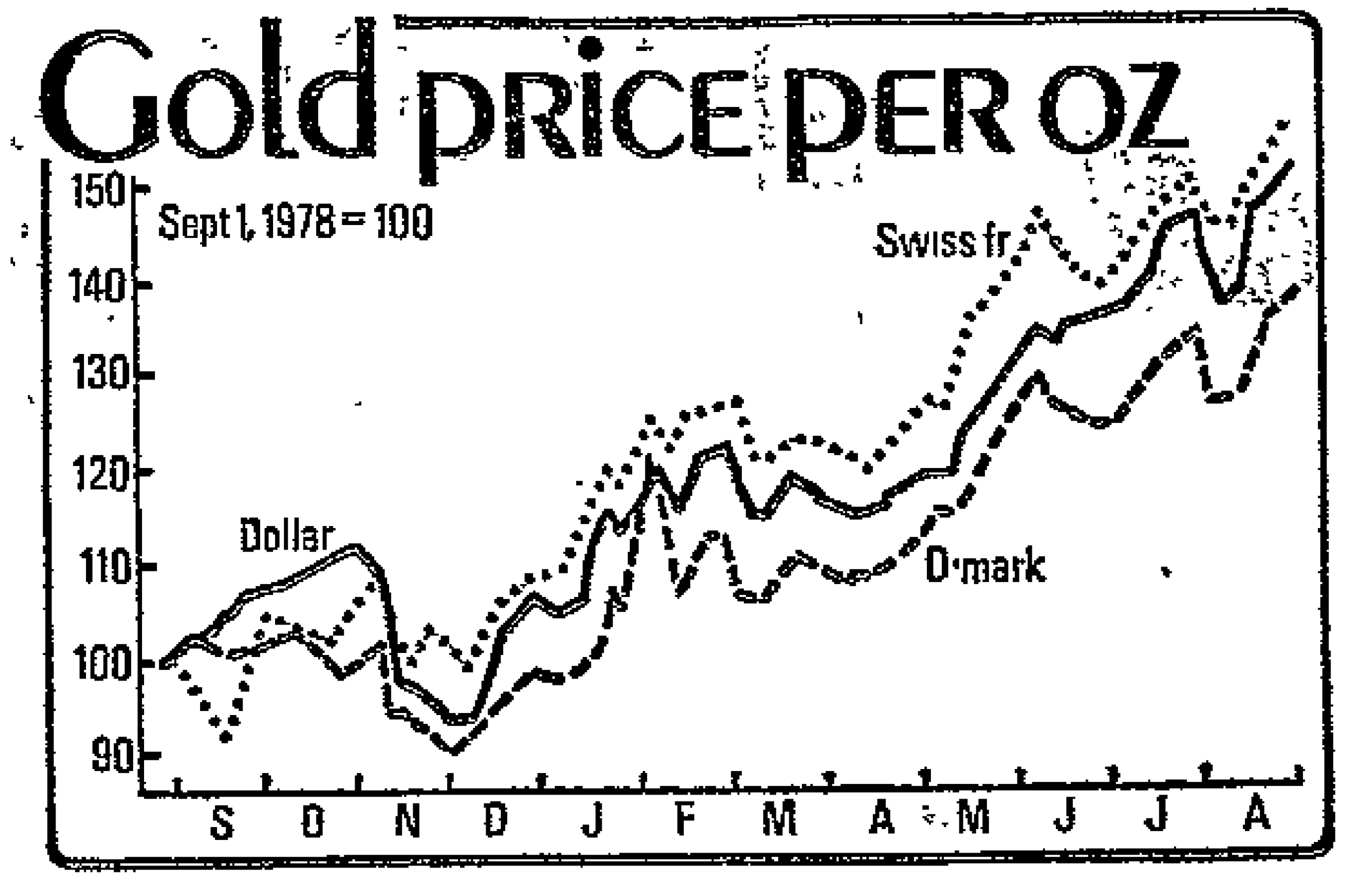
Those in the strong currencies areas used to sit on the sidelines of the bullion market and mutter that the rising gold price really meant nothing to them. Though it had risen strongly in dollar terms, the gold price had done very little in Swiss franc or German mark terms — so the Swiss or German holder of yesterday was in fact losing out.

CHANGED

All that has now changed, and as gold is seen to be a rising star in currencies other than the dollar it could begin to attract a new band of followers.

Analysts are perhaps a little nervous of gold's strong performance, and continue to warn that a correction is due. Nothing goes on up for ever. But with strong talk of Arab buying and interest, and with worldwide inflation a growing headache, gold is winning new converts daily.

Nobody needs to be reminded that though gold shares have shared in some of the excitement, they have still failed to rise as rapidly as might have been. It's that old bogey of the "Southern African risk" factor which has held gold shares in check — but for those with faith, gold shares still represent good value.



South African gold analysts are continuing to argue the case for gold shares to foreign investors, as Johannesburg stockbroker, Mr Peter George is doing in Hong Kong now. And the September gold dividend season provides further evidence that gold shares give very respectable returns.

There are a few things to bear in mind. One is that the annual meeting of the International Monetary Fund is due to start fairly shortly, and undoubtedly there will be some strong statements coming from the world's leaders.

There may be some news on the IMF gold auction programme, and some promises to really do something about the loss of confidence in paper.

Whether the world chooses to believe this year's message remains to be seen. But those who have heard and seen it all before, and who still lack firm evidence that a proper cure for the world's monetary ills has been found, will retain their faith in gold and their distrust in paper.

AUCTIONS

The Economist points out that on the horizon there are sizeable reductions in supply. Unless there is an extension, US Treasury auctions may be finished before Christmas. The IMF auctions end next May.

Soviet sales are expected to fall, and even South Africa, it suggests, is running out of fresh fields to mine and will produce less eventually.

Of course if the gold price continues to rise, then the economics of opening new mines and re-starting old mines will become attractive. However, it takes some considerable time from turning the first sod to pouring the first bar from a new project.

Hard then, in the long run, to disagree with people like Dresdner Bank's Mr Schreiber and others who earlier forecast that gold would soon reach 350 dollars an ounce — and that it could still go higher.

They have become prophets in their own lifetime.

Gold buying frenzy sends price over $375

79 Star 18/9/79

By Michael Chester
Financial Editor

Frenzied gold buying smashed records by the hour today — prices on world bullion markets had soared to more than 370 dollars an ounce this afternoon.

Gold hit a spectacular pinnacle when the big bullion houses in London — the main pace-setters — fixed the price at 375 to 376,5 dollars.

It marked the fastest price rise in history — more than 20 dollars in less than 24 hours.

If the price holds, it means South African income from gold exports will go up by a staggering R400-million a year.

Buyers on the New York futures market, ahead of the new peak, contracted to pay more than 400 dollars next year — and up to 420 dollars in mid-1981.

The scorching pace of the gold bonanza has raised speculation that a major statement will come from Senator Horwood, Minister of Finance, on how the gold rush can provide a new boost to the national economy.

Assocom heads a number of powerful business voices advising the Minister to use the spectacular windfall to make more concessions to consumers.

Options include early repayment of loan levies, subsidies on food, and abolition of the import surcharges.

Two factors fuelling the gold rush are:

- US fears that Nigeria may take the lead in a new round of oil price increases.
- Speculation of hectic bidding at a gold auction by the US Treasury Washington today.

STUFFED CABBAGE SALAD

May Bennett, Ridgeworth

1 fresh green medium size cabbage
onions
carrots
tomatoes
fresh pineapple
radishes

Cut the centre from the cabbage, leaving the outer leaves to form a bowl. Wash well. Chop onion. Peel and cube the carrots and pineapple. Cube tomatoes. Thinly slice some of the dinner leaves of the cabbage leaving the stalks. Place the carrots, pineapple, tomatoes, sliced cabbage and the finely chopped onion in a bowl adding any juice from the tomatoes, pineapple and add salt and black pepper to taste. Toss well, then pile the salad into the cabbage "bowl". Garnish with radish roses and a small bowl of mayonnaise for those who like it. To make the radish roses, cut across the tops in a double cross, then put them in iced water until the radishes open up.

---oOo---

GERMAN POTATO SALAD

Ethne Beard, Port Elizabeth

boiled potatoes
cooked bacon
mayonnaise
chopped onion
salt and pepper

Cube the potatoes while still hot. Chop up the bacon, mix with the potatoes, onion and mayonnaise. Season with a little salt and pepper. Use hot or cold.

EGG SALAD

hard boiled
salanaise

Cut eggs in
down. Pour

CHICKEN AND

1 cup cooked
4 T finely ch
French dressi
lettuce

Marinade chick
Serve on lett
and refridgera

French dressin
Blend together

79 DD 19/9/79

Gold: crash or a new role?

LONDON — Gold prices shot up to dizzying new records in Europe yesterday in chaotic trading that dealers said could presage either a crash or a new role for the precious metal in the world economy.

The dollar held comparatively firm, losing only a fraction of a cent against major world currencies.

Gold closed in Zurich at a mid-point of $373,50 an ounce — a $3 spread between bid and asked prices that signified great uncertainty, or, in one London expert's words "insanity".

The mid-price represented a mammoth $20,50 jump from the record set at Monday's closing. In London, Europe's other major market, gold closed at $372,00, up $18,50 from Monday's close.

"Major forces besides speculation are moving gold," Mr Peter Gignoux, precious metals expert for the brokers Bache and Company in London said. It could be, he added, that gold would resume its old role as an international monetary standard.

The United States gold auction in Washington would be the key to the metal's immediate prospects, Mr Gignoux said.

"If the auction results are good, we will see $400 gold at the end of the week, no problem. If the results are middling or down we could see a correction that could be of proportions as unlimited as the rise on the way up."

"Right now, the market doesn't know whether it's coming or going," he said.

Mr Gignoux said the frantic tone of yesterday's gold markets was touched off by a run on silver, which had already doubled in price in a year because demand vastly exceeds supply.

"The silver market lost its head," he said. "There were all buyers and no sellers. Silver started off on Monday at about $13,5 an ounce. Hong Kong came in yesterday morning and the price moved up fast. By noon in London it was making $17 an ounce — by afternoon it was up above $18. This is irrational behaviour in anybody's market."

Zurich traders said Arab interests, who have bought massive amounts of gold in recent weeks, have apparently switched focus to silver. — SAPA-AP.

SPRING GREEN SALAD

May Bennett, Ridgeworth

1 medium size lettuce
2 onions
parsley
1 cucumber
mint (fresh)
scallions

Wash and shred the lettuce, chop onions finely and parsley; keep a few pieces for garnishing. Wash cucumber peel and cube. Wash scallions, and cut tops off leaving a short piece of the green left on. Toss the lettuce, parsley, cucumber, onion and scallions together, salt and pepper. Pour over a little French dressing and serve in a glass bowl. Garnish with a few sprigs of mint and parsley.

---oOo---

CURRIED GREEN BEAN SALAD

Mrs Futter, East London

2 lbs sliced green beans
2 chopped onions
1 d salt, level
2 cups water

Boil the beans (sliced) with salt and onions till cooked, then pour off the water.

Sauce:
1 1/2 cups sugar
1 d curry powder
1 heaped T flour
1/2 bottle vinegar

Mix the curry powder, flour with a little water. Mix well, so that no lumps form, and then add the sugar and vinegar, boil up and stir all the time, then add the cooked beans

coarsely chopped walnuts
mayonnaise or salad
ing
a sauce
on juice

ple, orange sections, and nuts; toss together. Combine mayonnaise, soya sauce lemon juice; mix well. To serve, add dressing to salad; gently. Makes 4 - 6 servings.

---oOo---

14

Gold look for paper

79 RDM 20/9/79

PARIS. — Gold's rapid raise in price yesterday prompted one Paris newspaper to appear with its name printed in gold. Readers were urged to buy as many copies as they could because each contained 0,4g of the metal.

The Daily Liberation, a Leftist paper, told its readers that every copy bought at the street price of 50c was actually worth R4. — Sapa-AP.

79 RDM

Gold slips to $369

20/9/79

THE gold price slipped to $369 at the second fixing in London yesterday as gold fever cooled.

The morning fixing was a record $376, beating Tuesday's final fixing of $375,75.

The morning fixing followed frenzied trading and wide fluctuations in the price throughout world markets. Gold sold for $395 in Hong Kong yesterday in the wake of the record US Treasury auction average price of $377,78.

Ahead of the afternoon fixing yesterday in London, gold fell sharply in active trading to $358.

Dealers said widespread selling out of the US brought the price back more than $10.

● See Page 12

DOLLAR RESCUE EXPECTED: GOLD SLIPS

21/9/79
79
Argus

LONDON. — Expectations that the United States might launch a support package for the dollar, similar to the one in November last year, have brought a sharp halt in the gold price since yesterday afternoon.

The weakness of the dollar in the foreign exchange markets yesterday generated heavy speculative demand for gold which closed 15,50 dollars higher in London at a record 385 dollars an ounce.

However, later in the day in New York the gold price plunged to 375,50 dollars on liquidation triggered by forecasts that the US may take steps to support its currency.

In London today gold was fixed at 373 dollars after opening at 374,25 dollars.

The drop in the dollar yesterday to a 10-month low against the German mark also led to the platinum price soaring 32 dollars to a record 475 dollars an ounce, exceeding its previous peak price by 19 dollars.

The dollar yesterday slumped by 2,6 percent against the Swiss franc, by 2 percent against the mark and by 1,7 percent against the yen.

UNCHANGED

As the rand-dollar exchange rate was virtually unchanged yesterday at 1,2020 dollars to the rand, the rand has fallen by a similar amount against these currencies.

Foreign exchange dealers said that while there were signs of support for the dollar by the German and Swiss central banks, the old baselines of 1,80 marks to the dollar and 1,60 Swiss francs to the dollar may have been abandoned.

At the close in London the dollar was quoted at 1,7685 marks (from 1,8060), 1,5815 Swiss francs (from 1,6230) and 219,80 yen (from 223,50).

Sterling fell to 2,1350 dollars at one stage but recovered to 2,16125 dollars (against 2,1450 dollars).

A foreign exchange dealer said: 'The story in the market is that people are disappointed by the anti-inflation action in America — it is too slow. But the suddenness of the fall in the dollar is surprising.' — Argus Financial Correspondent and Sapa-Reuter.

● Gold price fixings in London:

	Dollars an ounce	Rands a kg
Today 10:30 am	373,00	9 993,60
Yesterday 3 pm	380,00	10 181,15

ONION RINGS — May Bennett, Ridgeworth

Peel and slice large onions, and separate the rings. Heat a pan; add oil. Dip the rings in milk and then coat with flour, and fry till brown in the hot oil. Drain the oil off on a paper towel,

GOLD FUTURES

The London Metal Exchange announced on Tuesday it was looking into the possibility of establishing a gold futures contract — the very day the bullion price jumped at one stage $27 over Monday's close.

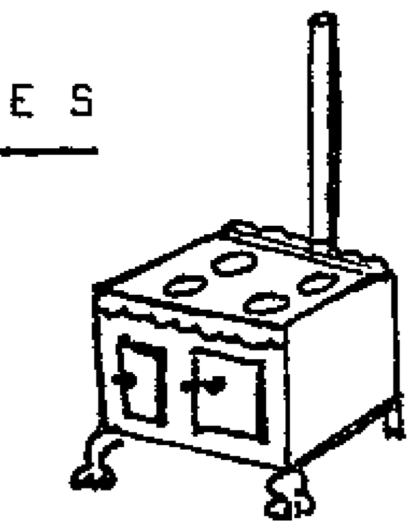
Coincidence, of course, but LME sources do not disguise their eagerness to attempt to cash in on the current level of investment interest in gold and, as some suspect, the further advance of that interest as stagflation continues to rear its head in the Western industrialised economies. Major markets for gold futures already exist in New York and Chicago, whilst a market was more recently established in Sydney Australia. There are also moves afoot to bring gold futures trading to Hong Kong, a developing futures market centre.

It is not sure yet how long a special LME sub committee comprising LME members plus two co-opted experts, Guy Field of Derby & Co., and Jack Spall of Sharps Pixley, from the world of bullion dealing, will take to reach a decision on whether or not to proceed with such a contract. But it seems likely that the Bank of England, which oversees commodity futures trading in London via its foreign exchange surveillance role, may already have unofficially given its seal of approval to the idea. Additionally, the committee members seem likely to move as swiftly as possible in order to reach a decision whilst interest in the metal remains at fever-pitch levels.

If established, such a market would aim to attract as much international interest as possible as, for the moment, British citizens are forbidden by law from dealing in gold, apart from coins, gold jewellery and various artifacts. Additionally, such a contract on the LME world, many feel, tend to be far more investment orientated than those already traded in industrial minerals, such as copper and lead — contracts which metal merchants, producers and fabricators use as a means of hedging against the risk inherent in dealing in and with such metals.

O L D F A M I L Y O R V I N T A G E R E C I P E S

1820 and All That!



FRENCH PANCAKES - 1902

2 eggs	2 ozs flour
2 ozs butter	1/2 pt of new milk
2 ozs sifted flour	

Beat eggs thoroughly, add butter and beat to a cream, stir in sugar and flour, and when well mixed add the milk. Beat well for a couple of minutes. Pour on to buttered plates and bake in a quick oven for 20 minutes. Serve with a cut of lemon and sifted sugar, or pile on a hot plate, with a layer of preserve or marmalade between them. Time, 26 minutes, average cost, 6 d, seasonable at any time.

---oOo---

SPATCHCOCK - 1900

1 young fowl	parsley
brown bread crumbs	onion
herbs	

Cut the fowl through the back bone, and open out flat. Brush with melted butter. Sprinkle with salt and pepper, chopped onion and chopped parsley on both sides. Sprinkle with mixed herbs. Grill till 1/2 done, then cover with breadcrumbs and continue cooking till well done. Serve with a sharp sauce.

---oOo---

PLUM PUDDING — May Bennett, Ridgeworth

2 cups flour	1 small cup chopped raisins
1 t baking powder	1/2 grated beef suet
1 large cup brown sugar	1/2 pt milk
1 cup currants	1/2 t salt
3 beaten eggs	a little mixed peel finely cut
1/4 t ground spice	

Mix all ingredients together well. Tie in a pudding cloth, and boil for three hours. Serve with hot nutmeg sauce. This recipe was used for Christmas dinner in 1916 by my mother and gran, who says "we used 1 cup of flour and 1 cup of stale breadcrumbs instead of 2 cups of flour. Very successful".

---oOo---

MUTTON, ROAST SHOULDER OF 1900

shoulder of mutton	salt
dripping	flour

Put the joint to a bright clear fire, floured well. Baste contin-

No. 2113 21 September 1979

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekendgemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 31 Augustus 1979 ten R237,97 per ons suiwer goud gewaardeer het.

(79) GG 6663

No. 2113 21 September 1979

SOUTH AFRICAN RESERVE BANK ACT, 1944

DETERMINATION OF STATUTORY PRICE OF GOLD

It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 31 August 1979, all gold of the South African Reserve Bank at R237,97 per fine ounce of gold.

TONY HUDSON, Finance Editor on the Word of the Week

79

Sn Tribune 23/9/79

THE PRICE of gold has gone bananas and economists are gazing sadly at the remnants of their crystal balls and refusing to make any more predictions.

They can tell you what should happen, but the antics of the gold price have out-guessed them several times in the last few weeks and they now openly admit that it could well happen again.

The general conensus of what SHOULD happen is that a sharp technical correction will occur within the next few days and the price could then plummet as low as 280 dollars an ounce. However, the fear is that yet another factor could be lurking in the wings to keep the gold price boiling.

However, the chances are that they could be right this time, for, as one economist put it "the market is now behaving in a lunatic fashion."

The whole current gold craze, which started the price moving up from the 250 dollar mark, began with a general underlying concern about the world inflation rate and the general desire to get rid of money holdings and into gold, which would escalate with inflation.

This was then strengthened by an associate worry by investors about present monetary arrangements which were being severely tested with rapid currency price escalations in several directions at once.

People did not know which currency to follow and began to diversify their holdings into gold as a hedge.

The next phase was when people started to look at balance of payment surpluses and deficits.

This was connected to the fact that world banks were finding it difficult to recycle money because of capital restraints and it appeared that the central banks would have to do the job with a resultant strain on the monetary supply.

The last flurry was caused by the speculators who saw the chance of a profit in gold, and started to move into the market.

A factor that appeared late last week and which could well be the bogeyman waiting in the wings, was the combined weakening of both the pound and the dollar, which sparked off last year's gold rush.

Dennis Etheridge, president of the Chamber of Mines feels this could well be a decisive factor and that if the dollar continues to weaken, the price of gold is going to continue to climb and he thinks this just could happen.

While his thoughts are against the general trend, gold bugs laughed at Etheridge when he predicted that the gold price would break through 300 dollars later in the year. And look what's happened now.

Against this view, is the fact that when the dollar weakened last year, the Americans put aside a 30 thousand million dollar defence line to bolster their falling currency . . . and used five thousand million dollars so their efforts could well put an end to the current gold price spurt.

WHY 60 000 JOBS DOWN THE MINES ARE SAFER TODAY . . .

By JACK BRICKHILL

THE gold price spurt will reprieve many of the 13 marginal gold mines employing 60 000 men.

Shareholders will get dividends over a longer period and the Government will benefit from reduced subsidies and bigger export earnings.

The marginal mines produced gold worth more than R200 million in the first six months of the year and subsidies of only R17 million were paid out.

These mines, which qualify for Government assistance, have in most cases only a few more years of production. They include Barberton, Durban Deep, ERPM, Leslie, Lorraine, Stilfontein, Venterspost, West Rand Consolidated and Wit Nigel. Other mines with depleted reserves will also enjoy a new lease of life as previously unpayable ore comes into reserves.

Much depends on the layout of each mine and the accessibility of new reserves. If a new shaft has to be sunk to exploit new reserves the delay in mining will be several years.

Anglo Vaal's deputy chairman, Clive Menell, says accusations that the mines are holding back production to force up the gold price are unfounded. Ore capacity is based on shaft and milling capacity and production can rise only after expansion is completed.

Mike Brown, head of the economics department of the Chamber of Mines says gold production this year will not differ much from last year's 705 tons. Production will rise to a maximum of 750 tons in the next decade. The fall-off because of lower grades should be offset by the production from the new mines.

The 41 mines employing 400 000 black and 35 000 whites will pay more than R1 000 million in taxes for the year end February, 1980. This is more than double the R475 million paid in the previous year.

Gold mining costs, which rose steeply in the last three years mainly because of wage awards, are stabilising and are expected to remain below the rate of inflation for a while.

Dennis Etheredge, president of the Chamber of Mines says the surge in the gold price has made all published estimates of ore reserves meaningless. Nearly all estimates are based on a gold price of under 260 dollars an ounce and are clearly unrelated to the present gold price.

Gold shares play it cool

79 RDM 24/9/79

By HAMISH FRASER

WHILE attention remains focused on the gold price, the RDM gold index plods sluggishly along, 100 points below its all-time high of 458,3 in April, 1974.

The RDM 100 index of industrial shares, on the other hand, looks soundly based to break through its all-time high of 371,4 — struck in May, 1969.

Trading volume on the Johannesburg Stock Exchange this month has averaged about R40-million a week, a buoyant but not hysterical level which shows no similarity to the overheated days of 1969 when the industrial index was last at around 360.

The gold index is the more enigmatic of the two.

It has virtually ignored the panic which has taken the gold price up by about 20% this month. Dealers in gold shares seem to be saying to their counterparts in the bullion market: "We don't believe that fundamentals support the gold price and if you want to burn your fingers, that's fine, but count us out."

The stock market has not always been a reliable forecaster of economic events, but its role in that capacity cannot be ignored. There a number of South African commentators, not least the president of the Chamber of Mines and chairman of Anglo American's gold division, Mr Dennis Etheredge, who believe that the gold price is suceptible to a hefty crack.

But even if the gold price does take a $70 crack, are gold share prices not already discounting it?

The average dividend yield on the Johannesburg Actuaries Index is a generous 7,8% — and that's historic.

The average dividend yield on gold shares in 1974 was 3,5%.

With gold at an average of, say, $300 for the year, the income to the mines will enable them to pay higher dividends early next year than present yields seem to discount.

The gold share market's calm response to the goings on in the bullion market is regarded by institutional investors as encouraging sign that even if there are no spectacular profits to be made in gold shares in the short term, the downside, in the absence of a panic sell-off of gold, looks minimal.

The industrial index has been, and continues to be, a more solid and predictable market.

It has risen steadily from 300 in July to 362 last Friday with no serious reversals.

Volume has risen steadily with the index and there have been encouraging signs in the market that the index still has some way to go before it runs out of steam.

The market has responded to good news and good results and with signs that long-term interest rates are still headed downwards, the yield gap poses no problems to the market's prospects.

The average yield on the JSE Actuaries Index is an historic 5,9%. That may not look too exciting, but everybody in Diagonal Street — and in Pinelands and Bellville — is expecting materially better company results next year and dividends will surely rise.

The weight-of-money theorists who based their optimism at the beginning of the year on the amount of liquidity in the institutions still have little to fear.

The Sasol issue showed just how much discretionary money there is in the market and once Sasol's public issue is out of the way, a portion of the excess liquidity will find its way to market.

The RDM 100 and the gold indices at 400 by the end of the year does not seem a rash forecast in the light of the economic outlook for next year. And if, as is widely expected, the Minister of Finance, Senator Horwood, pumps some more steam into the economy in his next Budget, the RDM 100 could easily be at 500 by the end of next year.

Full settlement in Zimbabwe-Rhodesia will also do the market no harm.

Lust and anxiety in path of gold

79

STAR 24/9/79

The Star Bureau

NEW YORK — The soaring price of gold is seen by US monetary experts as an event that has stirred up lust on the part of buyers out to make a killing and anxiety on the part of monetary officials that the flight from currencies, feeding on fears of world inflation, will generate even more inflationary expectations.

The Under-Secretary of the Treasury for monetary affairs, Mr Anthony Solomon, says the rapid run-up in the gold price stems from heavy buying by "private Arabs and Americans" with supply "very thin."

He says the markets have been assuming IMF gold sales will end in the northern spring, further limiting the supply.

The gold rush entered a disturbingly different phase this year, however. Mr Edward Bernstein, the Washington consultant who was the first research director of the IMF, points out that the rise in the dollar price of gold in the second half of 1977 and the first three quarters of 1978 can be explained by the depreciation of the dollar against other currencies, but that explanation does not hold for the rise in the past year.

At the beginning of July 1977 the price of gold was 143 dollars and the Swiss franc was worth about 40 US cents. By January 1978, the Swiss franc had climbed to 50 cents and gold to 170 dollars.

By the end of October 1978, just before the US began its programme to halt the collapse of the dollar, the Swiss franc had climbed to 66,5 cents and gold had reached 234 dollars. During that period the disparity between the up and down movements in the price of gold and the Swiss franc in relation to the dollar never varied by more than a few percentage points.

The Federal Reserve's rescue operation halted the erosion of the dollar against the Swiss franc down to 61 cents, but the price of gold — after being rolled back to 194,65 dollars on December 1 1978, climbed above 380 dollars last week.

Germany revalues mark in the EMS

The West German mark was today revalued against the sagging US currencies in the Common Market's European Monetary System to protect the other EMS currencies against the sagging US dollar, it was announced in Brussels.

Foreign exchange dealers in Johannesburg said the move was long expected, and would have no influence on the rand. The mark will rise by 5 percent against the Danish crown and 2 percent against the French, Italian, Dutch, Belgian, Irish and Luxembourg currencies.

The decision was reached at a marathon 15-hour meeting yesterday of Finance Ministers and central bank governors. This is the first time since the EMS was created at the EEC summit in Paris last March that internal parities between member currencies have changed.

Informed sources said the decision could link up with an expected further drop in the value of the dollar in advance of the Opec-meeting in Vienna this week.

West Germany called yesterday's meeting because recent tensions involving currencies outside the six-month-old system had affected those inside it.

The scheme was set up by the eight to shield trade between them from the ill effects of unstable exchange rates. Britain, which does more of its trade outside the community than the other eight, has so far not joined.

Krugerrand sales drop forecast for 1979

79 STAR
24/9/79

LONDON—Intergold coin division manager Kerr Cruikshanks estimates 1979 Krugerrand sales will be slightly above 5m coins against 6m in 1978.

He says a significant proportion of 1978's sales were due to dealer fears of a potential supply shortfall over the traditionally strong Christmas period.

Such fears proved unwarranted but were responsible for a substantial year-end carryover at distributor level which contributed to a mediocre sales performance during the first quarter this year.

The proposed restoration of the UK market should help offset an expected decline in West German sales next year arising from the proposed introduction of value added tax on coins from January. — Reuter.

Currency boost for gold

19 RDM 25/9/79

LONDON. — Fears about currencies helped to send the price of gold to another record yesterday at the second fixing in London. The price was fixed at $380,40. The morning fixing was $377 and Friday's second fixing was $369.

The market firmed on buying out of the US. In post-fix trading gold was quoted at $380/$381.

Gold closed quietly at $378/$379 against $369/$371 at Friday's close.

In Zurich, gold closed at $377/$380 — lower than the day's high of $379/$382, but higher than $376/$379 at the opening and $368/$371 at the close on Friday.

The upsurge started when US corporate clients entered the market in the early afternoon. Demand was spurred by reports of central bank interventions in support of the dollar.

Dealers described trading as relatively quiet in comparison with last week's hectic sessions.

The decision to revalue the German mark over the weekend was a factor in yesterday's sharp rise.

In Hong Kong, gold dropped $3,48 to $375,46 from Saturday's $378,4.

Trading was quiet, with prices falling on long liquidation. Turnover was low as some operators remained on the sidelines because of erratic price movements.

NEIL BEHRMANN reports that the mark traded in a sideaways pattern against the dollar in a band of 1,76 to 1,77 yesterday. The mark-dollar rate was hardly affected because last week when the Federal Reserve Board and other central banks withdrew their support for the dollar, the mark rose by more than 2% against the dollar. So the weekend's European Monetary System realignment had already been discounted in the dollar-mark rate.

The gold market continued confused, with bulls and bears equally divided. The bears maintain that the market is heavily overbought and US trade figures later this week will be better than expected. The bears believe they boost the dollar and put pressure on ther gold price.

The gold bears back their arguments with the vast improvement in the US current account on the balance of payments in the first half of the year.

Mr Henry Wallich, a Federal Reserve Board governor, disagrees with the pessimistic thesis that the world is heading for another dollar crisis. He estimates that the US current account will be in substantial surplus next year.

He says that the level of 1,80 against the mark may have been a psychological level, but it is not a pegged level. The Fed and other central banks do not intend to allow a runaway situation to develop.

Many foreign exchange managers are now looking for a new support floor of 1,75 to 1,76 marks against the dollar.

Gold bulls believe that gold is becoming a quasi currency again. Mr James Sinclair, a New York precious metals dealer, said after a trip to the Continent and London: "Informed sources assume that we stand in front of an event which will further elevate gold in monetary terms. Gold, instead of peaking, may be only beginning a new rise."

He says a price of $1 000 is possible.

Mr Sinclair gives as bullish factors President Carter's moves towards re-election and political circumstance in the Middle East and Far East.

Western central banks hold 39 000 tons of gold. If the price rises sharply and has an adverse impact on the currency markets, a mere sale of less than a half a per cent of these holdings — 150 tons, or 5-million ounces — would dampen any rise.

Central banks sold gold during the gold pool era in the early 1960s, but then gold was $35 an ounce. And there was much demand.

But at $375 — hardly a bargain level — central bank sales could dampen demand. Thus remonetisation is not necessarily good for gold.

Reuter reports that currency dealers in Lodnon say the EMS realignment has taken the dollar away from the centre of the currency market stage temporarily, but does not affect the bearish fundamentals afflicting the dollar.

At midday, the dollar was quoted at 1,7652/62 marks compared with an opening 1,7685/95 and 1,7640/55 at Friday's close. It was quoted at 1,5725/35 Swiss francs.

New York wants golds

79 RDM 26/9/79

By ELIZABETH ROUSE

METALS starred in Diagonal Street yesterday, outshining industrials which were in firm uptrend in overall bright trading on the floor.

Trading volume was back in the millionaire bracket for brokers. The spark for which the gold sector has been anxiously waiting was struck by New York which came in as a retail buyer of high-priced gold favourites.

A broker said some counters, such as East Drie, Vaal Reefs and Zandpan, topped their peaks of 1974.

Randfontein led the gold march with a 225c gain and other heavies were up in the 50c to 100c region. There was a lot of South African activity in marginals, but they fluctuated and gains were not significant.

De Beers was back on the uptrend after its ex-dividend weakness, gaining 10c to 915c (925c pre-dividend).

Platinums were buoyant on London and Johannesburg demand as platiunum hit another record price. Gains ranged from 9c to 11c.

Coppers were firmer on the copper-rice rise and the Rhodesian counters responded to the negotiations outcome as well.

Rooiberg shot up 200c to R24 on tin's buoyancy.

Coals were generally stronger and Amcoal rose 100c to R23,25 with Clydesdale, Welgedacht and Zuiguin slightly easier against the trend.

Anglo American continued to run ahead in mining financials, advancing 15c to 990c. At one stage this counter and De Beers appeared to be running neck and neck for the R10 level.

Amgold gained 150c to R57, Rhodesian Corsynd jumped 25c and smaller mining holdings were up in the 5c to 10c region.

Sugars featured in industrials on consideration of hurricane damage to Mexico Gulf producers. Crookes rose 50c to 450c, Huletts gained 25c to 435c, CG Sugar put on 25c to 850c, but Tongaat lost 5c to 415c.

Barlows was back at 700c and industrials such as Calan and Unisec hit new highs. Barclays came off 30c to 675c. Of 224 industrials which changed hands, 99 were firmer and 45 easier.

US catches gold fever

M9 STAR 27/9/79

By Rich Miller

NEW YORK — From the small town businessman to the Wall Street adviser managing millions of dollars, Americans are catching the gold fever which has become a worldwide epidemic.

"Everybody in America is buying like crazy,' said Joel Goodman, head precious metals trader for Deak Pereira, a European-based concern specialising in gold trading.

Monex, a California-based company selling contracts in gold and gold coins, did almost 20-million dollars of business in just one day last week.

"We're delivering gold to people who are putting it away in dresser drawers and safe deposit boxes, said Monex president Louis Carabini.

No longer are individual gold buyers derided as "gold bugs," eccentrics fearing an economic calamity. Now they are often conservative investors seeking to diversify portfolios which already include stocks and bonds.

"Americans love a winner," quipped one prominent gold trader in explaining the latest gold rush in this country.

Profits

Gold buyers in the United States and elsewhere have indeed been winners. Over the last six weeks alone, gold prices have soared from around 290 dollars to between 360 and 380 dollars and briefly, in Hong Kong, to 395 dollars.

But those who have rushed to buy could just as easily become losers if the price suddenly swings the other way. Some professional gold sellers are warning investors the market is too volatile and are turning customers away.

In fact, some investors who had bought gold in the 100 to 200 dollar range are selling to take their profits now.

These are mostly the people who bought gold about four years ago, according to Walter Perschke, president of Chicago-based Numisco Inc, a gold retail firm.

The easiest way for individuals to invest in gold in the United States is to buy the one-ounce Krugerrand, minted by South Africa.

Banks selling the coins say buyers are usually "small investors" — businessmen, doctors, lawyers or other professionals.

Reception

But the present gold fever has also affected big money investors. Treasurers of large corporations and other institutional investors have been placing small percentages of their large dollar holdings in gold as a hedge against a drop in other assets.

To some extent, fear of a major economic crisis and disappointment with the failure of traditional investments to keep pace with inflation have played a role in the US gold rush.

In 1975, the best-seller list was topped for several weeks by Sylvia Porter's "Money Book," a lengthy reference work explaining the ins and outs of traditional investments. Now Americans are reading Howard J Ruff's "How to prosper during the coming bad years."

Despite the awakened interest in gold by small US investors, few Americans would argue that the metal is a substitute for US paper money.

To Americans, gold still does not have any of the special glamour it enjoys elsewhere, where it is handed down from generation to generation for use as a last resort in times of trouble.

Gold, especially in the form of coins, is considered just an investment, like stamps, art and antiques. — Reuter.

Gold price leaps the 400-dollar hurdle

79 STAR 28/9/79

By Michael Chester, Financial Editor

Gold bounded over the 400-dollar hurdle on world bullion markets today as international investors went on a renewed buying spree.

Prices climbed at record speed to advance 20 dollars in a single session to touch 401 dollars an ounce in New York and on to 401,50 dollars in Hong Kong.

On the London market the price first touched 400 dollars but later settled back to be fixed at 397 dollars as dealers hesitated before a weekend of closed markets.

The new milestone puts the gold price almost twice as high as a year ago and four times higher than the level as recently as 1976 when the first gold rush petered out.

At 400 dollars an ounce, South Africa's gold income is running at an annual rate of R9 000-million if the price holds — more than enough to pay the entire 1978 import bill, oil included.

Senator Horwood, Minister of Finance, has predicted that the upward swing will go higher yet, even though there may be fluctuations.

World-wide, he said in a TV interview, investors had lost confidence in paper currencies and were opting into gold as protection against inflation.

Mr Dennis Etheredge, president of the Chamber of Mines, said he still had every confidence in the long-term future of the metal but he feared there were many lightweight speculators in the market at the moment — and many could expect to burn their fingers.

One reason for the new stampede into gold was fresh concern over the United States dollar after the American Department of Commerce admitted that the US trade deficit had doubled to nearly R2 000-million in August.

Gold is not the only haven sought by investors and speculators. Platinum soared 30 dollars to hit a record 570 dollars an ounce in London yesterday and a frantic rush sent the price of silver to 751 pence an ounce.

Copper also hit a new peak at 1 090 sterling a ton.

Kitchen, said. — DDC.

Gold breaks the magical $400

79

Mercury 29/9/79

DD

LONDON — The price of gold hit $400 an ounce on bullion markets yesterday.

It closed at $397,50 on the key London market yesterday afternoon, after touching $401 in New York and $402 in Hong Kong.

Some dealers said there did not appear to be many objective reasons for the continuing rush into gold, which only seven weeks ago was trading at least $100 below yesterday's prices.

But others said the scramble to switch away from paper currencies by investors and speculators alike came mainly from fears of a deepening world economic recession, with much of the action apparently originating in such volatile regions as the Middle and Far East.

"Gold is skiing right now on the velocity it's built up over the last week," said Mr Peter Gignoux, precious metals expert for the brokers Bache and Co in London. "I think it's taking a breather for the moment."

Mr Gignoux said gold might bump against the $400 barrier for a while, but the buying rush that had added $80 to the price in a month had effectively placed a new floor under gold, making it very difficult to fall below $340 dollars an ounce.

"There's always a lump in one's throat when you pay the highest price ever for spot gold," Mr Gignoux said, "and yet these days that lump is very swiftly forgotten.

"I think it will probably continue to rise, correct and then rise again," he added. "It's not inconceivable that we'll see it move into the mid-400s by the end of the year."

Mr Gignoux and other experts said that to the dismay of economists who had sought the demonetisation of gold, the metal was being grasped as a standard by investors fearful of the effects of the energy crisis and general inflation on the economies and currencies of industrialised countries.

"We are witnessing a transition in gold from a tool of hoarders and speculators to a quasi-currency," said a New York precious metals expert, Mr James Sinclair, in his latest investment commentary.

Other metals have been dragged into the gold rush as well, as Arab oil sheikhs, Asian tycoons, wealthy Frenchmen and other large-scale holders of dollars, seek to preserve the value of their assets.

Platinum jumped $10 an ounce yesterday to $570. Less than two weeks ago it was $420 an ounce.

Even copper looks good to the market: it has jumped $154 in a week in London to about $2 354 a metric ton. — SAPA-RNS-AP.

U.S. 'will fight the gold price'

79 Mercury 29/9/79

JOHANNESBURG — The U.S. has not given up the fight against gold and is likely to step in with additional sales or other moves to depress the price.

The trigger points for doing so would be a gold price of around 420 dollars or if the dollar reaches 1,70 West German marks.

This is the view of Hill Samuel's gold commentator, Mr. Julian Phillips, based on discussions with what he describes as "certain major European banks".

Any moves to topple gold from a more active role in the international monetary system would have only short-lived effects, as the extra gold would be mopped up by central banks.

"The main problem for such buyers has been to get large volumes of gold. The auctions and sales provide such opportunities without any run-up in price. An increase in U.S. sales would merely mean more opportunity to buy."

A London report says the closing gold prices yesterday (in U.S. dollars per troy ounce) were: London, 397,50 (record high); Paris, 403,53; Frankfurt, 398,53; Zurich 396,50 (record high); Hong Kong, 396,25.

Mr. Phillips' report continued: "From the U.S. viewpoint, increased sales could even be counter-productive as they would encourage gold's mobility as a reserve asset."

And if gold's rise continued to have a direct effect on the dollar's fall, he said, it would make sense for the U.S. to sell more gold as well as support the dollar.

Meanwhile, U.S. gold policy is almost certain to produce disagreement at today's mini-economic summit between U.S. Federal Reserve chairman, Paul Volcker and West Germany's Chancellor Helmut Schmidt in Bonn.

"Germany has always been a strong backer of gold, as its reserves show. It will continue to favour gold and, in so doing, will echo Europe's generally pro-gold stance."

The Mercury's London correspondent says informed sources who watch the industrial demand for gold closely expect it to fall sharply during the next few months, and they are dropping their consumption estimates sharply.

The expectation is that both Italy and the Middle East will buy much less gold for fabrication during the next few months.

However, the decline in industrial demand for gold has had little impact on the feverish market. Huge speculative amounts have been pouring in and at last funds are shifting into the gold share market — which at least is offering good value, even if bullion declines some fifty dollars from current levels.

At a two-day seminar on Middle East investment, Arab financial experts contended that only one to two thousand Arab private investors were responsible for a huge proportion of gold investment demand.

They said that these investors were sheep and were relying on advisers in Zurich and London who are preying on Arab fears about political trouble in the Middle East and economic despair in the United States.

One of the advisers claimed that brokers were pushing gold to protect their own huge positions in the market. A lot of these brokers had been playing the futures market, they claimed.

All the advisers (who were Arabs themselves) stressed that the gold market was too small for Arab Governments. At most you can invest 200 million dollars to 400 million dollars in gold without pushing the price markedly against you. This was too tiny a market for countries trying to invest billions in surplus funds.

According to market sources German banks are selling into the market, while London brokers are advising their clients to do the same.

However, with the price set to break the 400 dollar barrier, they believe it is not beyond the realism of possibility to see the price rise further. — (Sapa-Reuter.)

Stampede causes investment rethink

79 STAR 29/9/79

JSE Spotlight

Stephen Suckley takes a look at gold shares

Sir Thomas More once wrote: "They wonder much to hear that gold, which in itself is so useless a thing, should be everywhere so much esteemed."

The stampede into gold causing the metal to reach successive highs is beginning to make people who have never held gold shares take a long, hard look at them.

And this has come about not only because of the exciting prospects of gold share prices rising but because they are also being viewed seriously for income.

Gold share prices have lagged behind the gold price rise — even though the historic dividend yields are still very respectable.

SLOW

While overseas investors have been slow to jump into gold shares — because of that old market bogey of the "South African risk," gold shares are winning more converts every day.

With Wall Street uncertain and with inflation threatening to dent prospects for industrial companies, yields of 10 percent and more are not to be sneezed at.

GOLD BUG

And in particular, the discount available to foreign investors via the financial rand has further expanded the yields on capital investments in these shares.

This has been the case especially with US investors. According to self-confessed American goldbug Michael Levinson, currently in South Africa, "South African gold shares have definitely got a sound long-term future and I will continue to buy these shares."

But he has one proviso about snapping up shares — and that is that the present monetary insanity in the world continues to exist. Far Eastern and European demand is also on the up and up.

Have you any idea what is being paid out in gold mining dividends? Well, in the first half of this year alone the figure totalled R395,5m. It is only when this is compared with the R208,4m in the same period of last year that this staggering 89,7 percent increase strikes home.

COOL

and with the gold price already temporarily through the 400 dollar an ounce barrier, the scene is set for even better times ahead.

However, in forecasting the year ahead gold mines to report to date have been cool, especially with regard to profits and dividend payments.

Although the gold mines are almost assured of an average price this year, the niggling factors of inflation combined with higher working costs and larger wage bills have made mining chiefs cautious and conservative.

The market is certainly turning deaf ears to this sort of comment.

FACTORS

Of course the underlying strength in gold shares stems from the meteoric rise in the gold price and certainly any sustained downward correction will ultimately have its effect.

Gold over the past few months has capitalised on a number of factors including worldwide inflation, political events in the Middle East, a near "Bay of Pigs" situation over Salt talks and a general dissatisfaction with the Carter administration's way of handling things.

A further boost was given to gold last week when the dollar slid almost out of control against major currencies when the Federal Reserve withdrew its support for the currency.

This was all the metal needed and it was this last straw that sent the gold price heading for the 400 dollar an ounce barrier.

IRRATIONAL

And where will it all end? The gold market has now to a certain extent become irrational, especially due to enormous speculative demand.

And in this instance gold shares will continue to provide investment attraction.

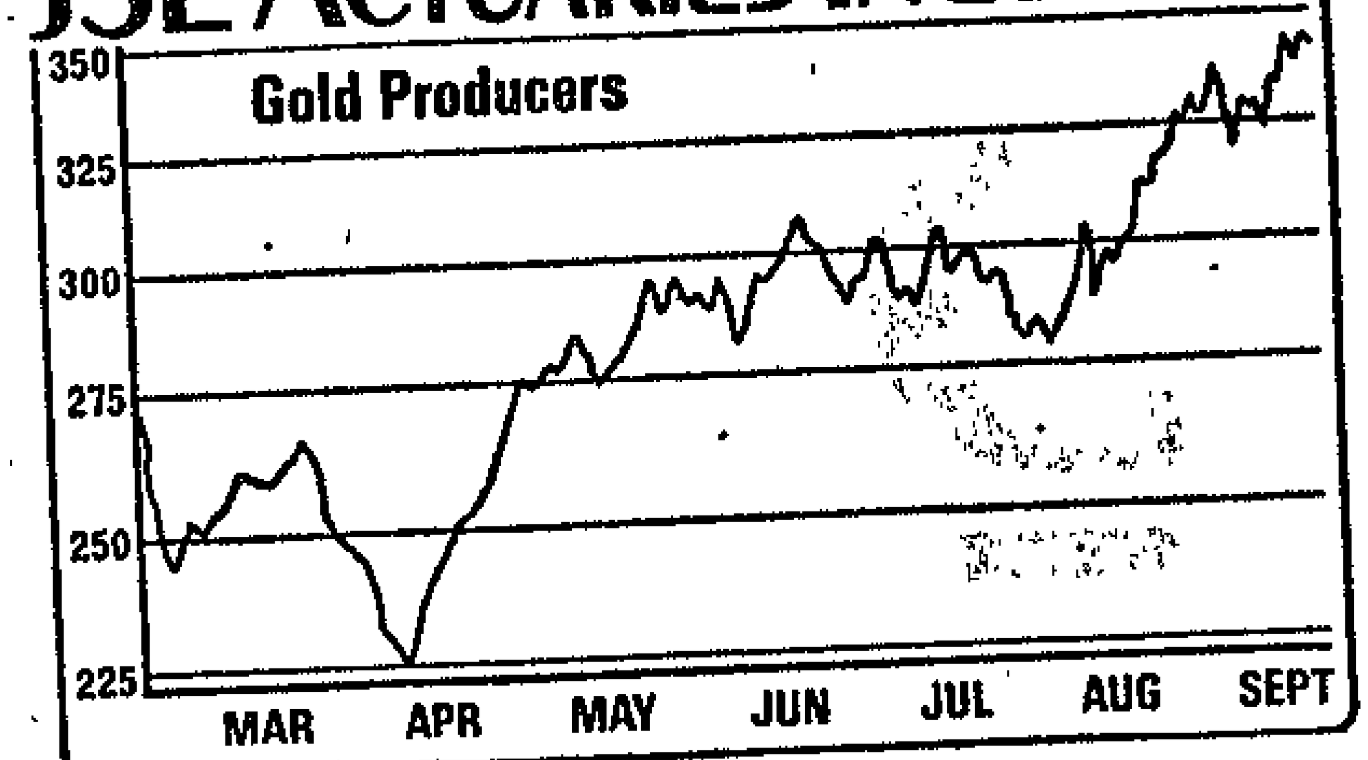
The steady demand for gold shares is reflected in the JSE gold producers index, which after an erratic performance between the months of April and July has moved ahead to reach successive highs.

This demand, however, has created an aspect of professionalism in the market place but this need not frighten off the man in the street.

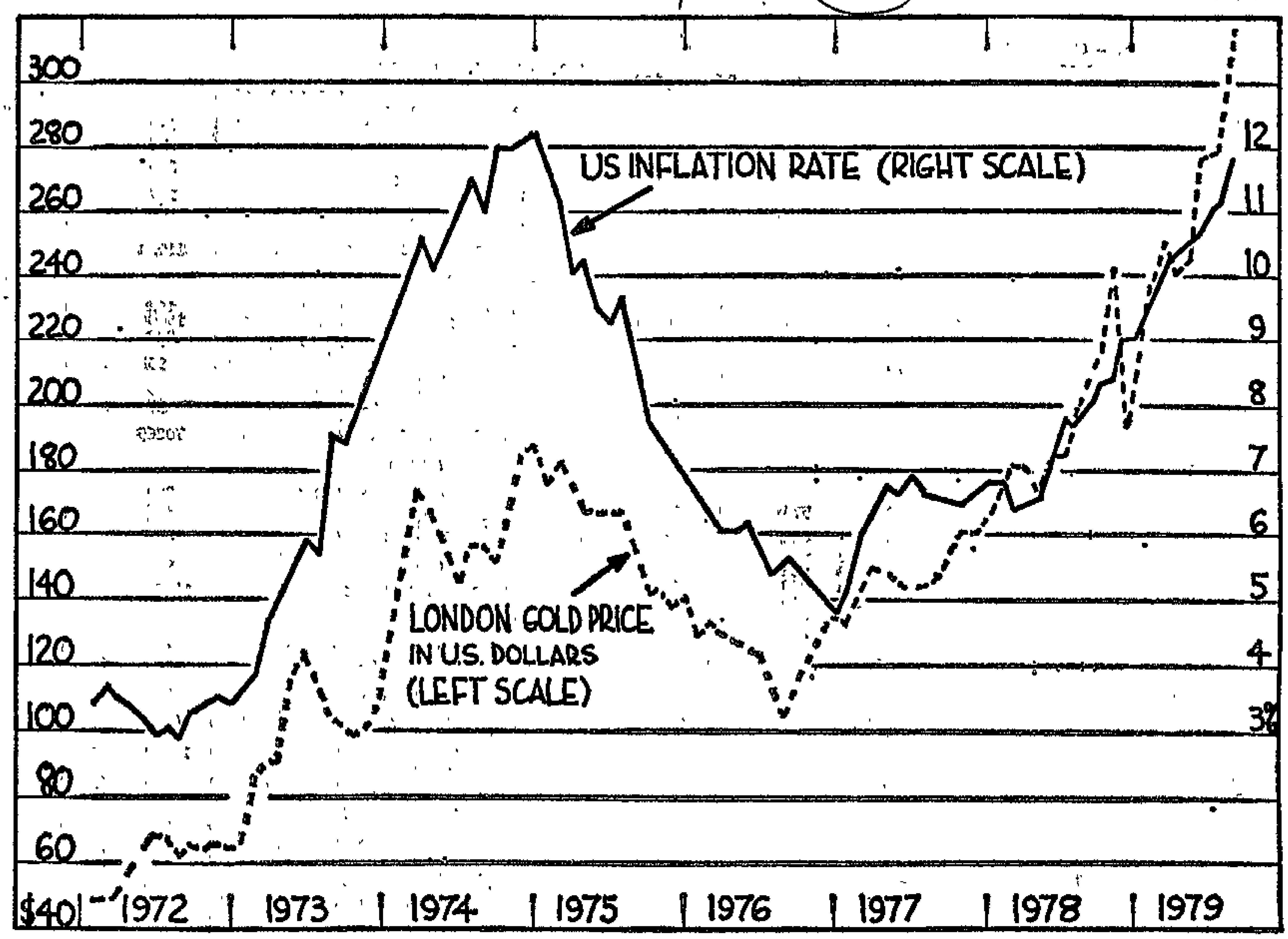
I certainly do not advocate sticking a pin in the paper which was generally the case in the 1969 boom.

Because of professionalism in the market the potential investor should lean towards the host of advisers available before making a foray into gold shares.

JSE Actuaries Index



Sun. Tribune 30/9/79 (79)



Up, up and away

By TONY HENFREY

GOLD'S spectacular performance is a sad reflection of the ills of an economic system financed by debt which leads to continuing higher inflation. It gives no cause for cheer.

Rising base metal prices indicate that the much publicised United States recession is just not on and that being so, the rate of inflation is hardly likely to abate.

Gold will remain in strong demand until inflation is controlled and in the short term it has the potential to rise as high as 420 dollars an ounce. It crashed the 400 dollar barrier on Friday. There is substantial technical evidence to support the view that gold now has a significant floor base of 300 dollars.

It was only a few weeks back that I suggested gold could advance to the 380 dollar level in December. And with two months to go the price has already hit 400 dollars. Many of the ardent gold bugs in the United States are gloating over gold's performance in "I told you so" fashion. Of course there is no denying the fact that gold has once again proved that it is historically a better store of value than paper.

Some commentators believe that the current high price of gold will enduce the US Treasury to sell more gold to bolster the US balance of payments. They fear that this could depress the gold price. It could well have a short term negative effect on the gold price if announced at a time, such as now with the market behaving in a volatile manner and ripe for a correction. But such action on its own would not have a long lasting effect on gold. Gold is in demand because of the high US inflation rate, now 11,8 percent, and rising inflation rates in the 'hard' currency countries.

Added visual proof of the compatibility of the gold price and inflation is evident in the chart above. It shows the price of gold in US dollars since 1972 and the rate of inflation in the United States.

Gold and inflation peaked in December 1974 and then declined until August 1976 when gold bottomed to be followed by inflation in December 1976. Since then, both the gold price and rate of inflation have advanced steadily.

New billion-rand mine taxes plan

Sun. Times Bus. 30/9/79 (79)

AT LEAST R2 000-million a year will be lost to the country if the gold price continues to move above $350 an ounce and Government fails to reform the tax system which siphons revenue from South Africa's gold mines.

This has fuelled an increasingly forceful debate between Pretoria and the gold mining industry.

As a result, the industry will be submitting new proposals to the Minister of Finance, Owen Horwood, "within weeks."

The industry's argument, which applies even at much more conservative gold prices, becomes increasingly relevant as the price rises.

Dennis Etheredge ... door has opened a little wider, but that's as far as it's gone

Robin Plumbridge ... difficult to see why gold mines have been singled out

By ANDREW MCNULTY and PENELOPE MORGAN

As the bullion price has continued to climb, it has pumped huge sums in extra revenue from gold sales through the mining industry into State coffers in the form of tax and related payments.

With the State already awash with high rake-offs from the gold mines, the industry's case for tax relief — which would greatly help the financing of new mines — is beginning to look irresistible.

The mines are paying the State some 60% of their earnings, which are currently running at some R7 300-million a year.

If the mines paid much the same to the State as other companies — that is, about 45% of the earnings — they would have about R1 200-million extra each year to invest in new mines, to meet rising costs and to pay higher wages to blacks.

If much of this money was reinvested in the industry it could mean the launching of at least three large new mines a year, at a cost of some R300-million each over several years.

Assuming there was enough gold mineable at an acceptable price to justify five such mines, these could realistically earn as much as R3 000-million (at a gold price around $350 an ounce) over five to 10 years, once fully operational.

The State's share would be as much as R1 350-million from these mines alone.

In the long run, the State's share from the whole gold mining industry could be comfortably higher than if the new mines were not launched and existing mines continued to pay 60% or more of their earnings to the Government.

The gold mining industry is not asking for a 25% drop — from 60% to 45% — in what it pays to the State. But it is arguing strongly for something reasonable in-between.

The industry says the existing, highly complex tax structure is discriminatory and inhibits new mining development.

This is highly wasteful.

Not only are millions being lost in taxes. The country's vital gold mining potential cannot be exploited to the full.

The president of the Chamber of Mines, Dennis Etheredge, says: "We got a tiny concession this year when we had 2.5% lopped off our loan levy.

"Over the past few years there has arisen a willingness at least to look at the tax structure. The door has opened a little wider. But that's as far as it has gone."

Robin Plumbridge, deputy chairman of Gold Fields of South Africa, which operates some of the country's richest gold mines, including East Driefontein and West Driefontein, says: "A very major proportion of the benefits flowing from the present high gold price is going to the Government and the industry is very concerned about this.

"It is very difficult to see why the gold mines should be singled out from other mines or other companies and have to pay such disproportionate amounts to the State."

In addition to gold mines, he notes, the potential for all types of new mining operations could be greatly enhanced if the so-called capital allowance was extended.

The Chamber of Mines, which has lobbied for years for improvements in the tax structure, is currently preparing a new negotiating package.

In the past four years the industry has invested some R1 000-million in new uranium mines and plants.

If the gold mines can be encouraged to further extend the life of marginal mines that are now viable because of the gold price, they could earn much more foreign exchange and stimulate the economy.

While the system is, in principle, enlightened compared with that in many countries, the industry believes some aspects create an unfavourable investment climate. Top mining men believe:

- The average tax rate is too high; and
- The capital allowance — which ensures that a new gold mine will not pay tax until its capital expenditure is recovered from profits together with

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30/9/79

New billion-rand plan for mines tax

●From Page 1

a 10% compound interest on such capital — is not adequate to encourage new ventures and does not apply to all mines.

Gold mines pay tax according to formulae which mean that the rate increases as a mine's profitability increases.

This is intended to lighten the tax burden for less profitable mines, thus lengthening their working lives.

But the net result is an average tax rate for all gold-mines which is far higher than the rate applied to any other company.

Dr Danie Krige, consulting financial engineer at Anglovaal, calculates that during the first six months of this year gold mines paid tax of R470-million and a further R120-million in lease payments on income of about R940-million.

Taking into account those receiving State aid or benefitting from capital allowance deductions, the average rate, inclusive of tax and lease was 57%.

This compares with the normal company tax — which is also paid by all non-gold mining companies — of 40% plus a 2% surcharge and 4% loan levy.

Tax was paid during this period on profits earned on an average gold price of $250.

Dr Krige estimates that on the same output and an average price of $350 for the second half of the year, a plausible assumption at present, then total revenue subject to State payments will increase by R919-million.

But of this additional amount the State will take nearly R600-million or 65% in combined lease and tax payments, and the total payment to the State would be about R1 850-million, comprising R1 400-million in tax and R450-million in lease payments.

This high average rate results from the high rate of incremental tax. For example, the incremental rate (including surcharge, loan levy and the State's share) is currently 72,2% for Doornfontein, 70,8% for West Driefontein and 67,8% for East Driefontein.

According to a Business Times estimate, five medium-size, medium-grade new ventures could a pay a conservative R800-million in taxes over the first 10 years that the mines pay tax.

This is based on the 1979 tax payments by Doornfontein, a mine whose grade is about average at 8,37 g/t and with working costs just above average at R33,57/t. Doornfontein's net taxable profit for the year ending June 30 was R32,7-million.

The capital allowance applies at 10% only to post-1973 mines. Post-1968 mines get 6% and older mines get nothing at all — yet many of the older mines are the ones which are having to sink new shafts and undertake major capital expenditure in order to attain their potential.

The recent increases in the gold price mean a lot of extra revenue, not budgeted for in March, flowed into the State coffers in August.

For every additional rand that the gold price rises the State takes 65%.

Total tax from gold mines paid to the state for the first six months of this year, based on an average gold price of $250, amounted to R470-million.

Economists estimate that the gold mines poured a total of R485-million into the state coffers three weeks ago at August end.

In August 1977 total gold mines tax stood at R160-million, but in these days the gold price was in the region of $147 an ounce.

At the same time last year the gold mines paid up a total of R305-million while the gold price was hovering around $204 an ounce.

Comments, Mr Krige: "The average rate of gold mines tax is out of proportion to the Government's final target, ie to achieve a high economic growth rate."

Sun. Times Bus. 30/9/79

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SA gold for futures market?

By PENELOPE MORGAN

SOUTH AFRICA may soon be in gold futures!

The Minister of Finance, Owen Horwood and the Secretary of Finance, Joep de Loor, recently had talks with New York financial institutions.

They conferred to gain an in-depth knowledge of the gold futures market with a view to marketing SA gold forward.

A spokesman for the Department of Finance confirmed on Friday that senior members of the the department and the Reserve Bank met futures market specialists in Pretoria recently, but could not comment on the New York talks.

Senator Horwood and Dr De Loor were unavailable for comment as they were on their way to the IMF meeting in Belgrade.

It is unlikely they will initially consider marketing more than about 5% or 10% of gold production in futures contracts.

If they decide to go ahead and take the view that gold will be at, say, \$450 an ounce in a year's time, it will mean a guaranteed price of \$450 for gold delivered at the end of that period.

If the price in six months' time is below \$450, well and good. On the other hand, if, during that year, the gold price has gone to \$550, SA will forfeit the extra \$100 an ounce.

However, in the meantime, SA will have had the advantage of knowing in advance what its gold returns will be.

The gold mining industry would be able to plan ahead and make fixed decisions about whether to open new mining areas — apart from being able to achieve much more accurate production planning.

The Government would also know ahead what gold tax revenue would be and be able to plan the economy accordingly.

HECTIC GOLD TRADING — 445,50 DOLLARS

Argus 2/10/79

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Financial Editor

A WILD stampede for gold in London and Zurich today pushed up the metal price in hectic trading by more than 32 dollars to a record 445,50 dollars an ounce. The gold price has now risen almost 50 dollars since the weekend and 150 dollars since the beginning of August.

Later demand eased slightly and the gold price dropped to 437 dollars at the morning fixing in London.

The trigger to the hectic rush was pressed when the International Monetary Fund met in Belgrade with forecasts that the economies of virtually all Western Nations were slowing down.

As the US dollar continued to slide to new lows and world currency mar- ... IMF issued a ...

at 9,49 am in London, it rose a further seven dollars to 428 dollars in the next 42 minutes.

However, from 10.31 am it began accelerating, rising 4,50 dollars to reach 432,50 dollars by 10,35 am, and then rose a further 3,50 dollars to reach 436 dollars at 10.40 am.

During the next nine minutes it rose a further 4,50 dollars to reach 440,50 dollars an ounce.

At 11.05 am it had reached 445,50.

SA gains

count' to try to bolster the dollar, but gave no details.

Fast rises

Clearly cynical about the chances of an effective prop to the dollar, once the mightiest currency on earth, the Hong Kong market first pierced the 420-dollar barrier to push gold to 420,50 dollars.

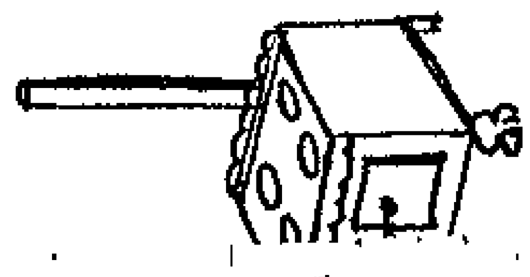
After opening 8,25 dollars higher at 421 dollars

gain heavily from the higher gold price. This country's earnings from gold rise by about R20-million a year for every dollar increase in the price.

Since the beginning of the year the gold price has risen by about 215 dollars an ounce. If the latest price is maintained, this could bring South Africa an extra R4 300

(Continued on Page 2, col 7)

● IMF plan—Page 19.



THE ROLE OF GOLD

79

Reason for optimism on long term prospects

THE DEVELOPMENTS in the South African economy during recent years had illustrated once again what an important role was played by gold, according to Dr. T. W. de Jongh, Governor of the Reserve Bank.

Dr. de Jongh warned, in his annual address that South Africa should not repeat the mistakes of the past and should look realistically at the gold price.

While there was optimism about long-term prospects for the gold price, the price might fluctuate considerably over the short term.

"The developments in the South African economy during recent years have illustrated once again what an important role is played by gold," Dr. de Jongh said.

"There is undoubtedly good reason to be grateful when it is considered what the impact on the economy of the increase in oil prices would have been if we had not been favoured with the advantages of the rise in the gold price.

GROWTH RATE

"The increased value of the country's gold production also played an important role in the fact that South Africa during the past year could pursue a fiscal and monetary policy which made an increase to 3 percent in the real growth rate of its economy possible, notwithstanding a net outflow of capital of more than R3 million during the past two years.

"From this also flows the fact, however, that we must not repeat the mistakes of the past and should look realistically at the gold price. In a world of uncertainties and increasing distrust of paper money, there is reason for optimism about the long-term prospects for the gold price, but over the short-term the price may fluctuate considerably, seeing that the sharp rise in the recent past is to a large extent related to the rise in oil prices and the weakness of the dollar.

UNCERTAINTY

"In certain respects there appears to be less reason than in 1975 for a sharp decline in the gold price.

"The U.S.A. reduced its sales gold already in May 1979 from 1 500 000 to 750 000 fine ounces per month, while the International Monetary fund's current selling programme will come to an end in May 1980.

"It is still uncertain whether the sales by the American treasury and the International Monetary Fund will be continued, but the experience of the recent past indicates that the demand for gold can absorb such sales at rising prices.

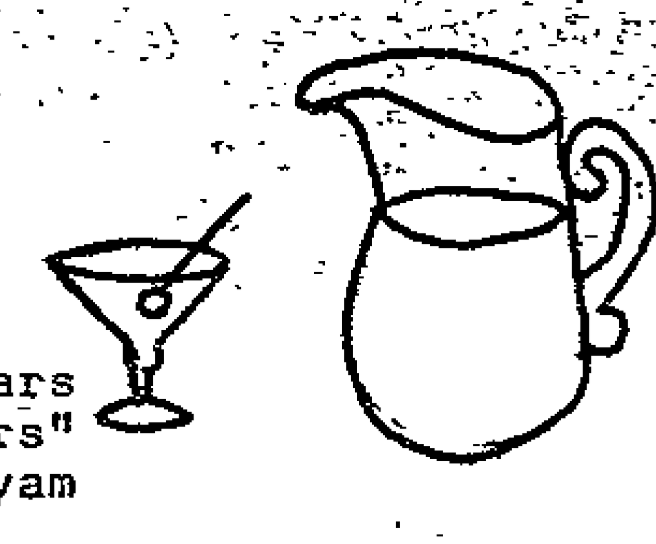
"The past year has furthermore provided clear proof that gold still has an important role to play in the International Monetary System.

"In the European Monetary System (E.M.S.) which came into operation on March 13, 1979, gold is accorded an important function. The participating countries in the E.M.S. namely each paid 20 percent of its gold reserves plus 20 percent of its dollar reserves into the European Monetary Fund (E.M.F.) in exchange for the new European currency unit (E.C.U.)

"Seeing that the E.C.U.'s are used for intra-E.M.S. settlement purposes, gold has been monetised effectively again as a settlement medium between central banks.

"The importance of this step is emphasised by the fact that the participating countries of the E.M.S. paid a total of 80 million fine ounces of gold at a market-related price into the E.M.F. in exchange for E.C.U.'s. — (Sapa.)

B E V E R A G E S



"Ah my Beloved, fill the cup that clears
Today of Past Regrets and Future Fears"
- Omar Khayyam

GINGER BEER

Judy Morris, Port Elizabeth

16 bottles (750 ml) water
4 cups sugar
1 1/4 (20 ml) bottles Jamaica Ginger
1 t cream of tartar
1 1/2 heaped t dry yeast

Mix all together and leave for 6 hours. Then bottle in screw top bottles. Leave for a couple of days to mature. Keep it in fridge when mature.

---o0o---

MOM'S GINGER BEER

Sharon Young, Rondebosch

16 bottles water
3 1/2 lbs sugar
2 lemons
2 pkts cream of tartar
2 oz bruised ginger
2 cakes yeast/2 pkts dried yeast

Mix yeast with 1 cup lukewarm water. Mix all the ingredients (except the yeast) together in a large saucepan and boil. Cool and add the yeast. Leave overnight, strain, bottle - tie the corks down. Leave for a week before drinking.

---o0o---

IRISH COFFEE

...worth

...skey in
Java (or
up with
lver

...anville

Rumours of US moves put skids under gold

79
STAR 4/10/79

By Michael Chester, Financial Editor

Speculators around the world today slammed the brakes on the gold rush as rumours spread that drastic action by the United States was imminent to bolster the sagging dollar in a counter-attack on bullion.

Gold prices sank under 400 dollars an ounce — down to 394 dollars in New York and still lower to 392 dollars in Hong Kong — a tumble of more than 50 dollars from the peak touched two days ago.

Later, in London, the gold price swung between 401,50 and 394 dollars before being fixed at 394,50 dollars at early afternoon.

Rumours of a new dollar package were spread when Mr William Miller, the US Treasury Secretary, today made a hurried return to Washington from the annual conference of the International Monetary Fund in Belgrade.

Significantly, Mr Paul Volcker, chairman of the US Federal Reserve Board, had already cut short his visit to Belgrade and flown home.

It has been the slide o[f] the US dollar on wo[rld] currency markets that [has] been one of the [fun]damental reasons [for] the big swing of [...] into g[ol]d [...] [Lo]nger [...] be almost cer[tain] [...] impact [...] see-saw fas[...] elusive fo[...] found. [...] Nerv[...] mark[...] [...] Us[...] va[...] of [...] to ca[...] reminded [...]

ference yesterday that all in all the US still had 100 000-million dollars worth of gold in its Fort Knox stockpile.

At the moment the US Treasury auctions sell only 750 000 ounces a month — and even then every auction result has a forceful effect on gold price trends.

● IMF conference — Pages 29 and 30.

WE R[...] DAILY [...] MONTH[...]

COFFEE SPECIAL

May Bennett, Ridgeworth

Pour together into coffee glasses, hot milk and strong coffee. Top with following: fresh cream mixed with a good instant coffee, a few drops of vanilla essence and fine sugar.

---o0o---

GRANADILLA DRINK

Mrs Futter, East London

3 cups sugar
3 cups water
12 granadillas
3 t tartaric acid

Boil water and sugar to a thin syrup. Turn out the pulp of the granadillas. Then to this, add 3 t tartaric acid. Pour hot syrup over and allow to cool. Strain and bottle. (Squeeze the pulp to get all the juice out.)

---o0o---

WESTLEIGH PUNCH

May Bennett, Ridgeworth

1 large tin of pineapple juice
1 medium tin of orange juice
1 small tin lemon juice
1/2 cup sugar
1 large bottle cold ginger ale
1/2 cup cold water
1/2 cup Cinzano Blanc

Mix all together, let it stand 1/2 hour before using, in the refrigerator. Serve in Punch bowl, garnish with a few slices of orange or lemon cut very thin.

---o0o---

CAPPUCINO COFFEE

May Bennett, Ridgeworth

Use a strong brew of good percolated coffee. Heat milk but do not boil. Pour equal quantities of coffee and milk into cups, pouring in together. Whip in a spoonful of cream till frothy. Sprinkle a little chocolate and cinnamon on top of cream.

---o0o---

ORANGE HEALTH DRINK
(Delicious in Hot Weather)

May Bennett, Ridgeworth

10 oranges
2 lemons
2 pkts citricacid (small pkts)
1 pkt epsom salt
1 pkt tartaric acid
rind of 8 of the oranges

...and boiling water.
...large bottles).
...or soda

79 Fm 5/10/79

GOLD

Horwood crows

It was with a clear sense of satisfaction that the Minister of Finance, Owen Horwood, informed delegates to the annual meetings of the IMF and the World Bank in Belgrade that SA's finances, in sharp contrast to those of most other nations, improved significantly over the past year.

Gross interest payments on SA's total foreign debt, said Horwood, declined from 6,4% in 1976 to 4,7% in 1978 with further cuts in 1979. Likewise, the nation's external public debt was reduced through what he described as "large loan repayments."

After drawing attention to SA's relatively favourable energy position and to general world laxity in regard to money supply control, the Minister embarked on a defence of the monetary role of gold.

His mood clearly buoyed by gold's record price, Horwood warned delegates that it would be "irresponsible" to try to ignore "or brush over" the gold issue.

He claimed that it was an "inescapable fact . . . that attempts to demonetise gold have collapsed." He skirted the issue of the proposed Substitution Account but suggested that, "whatever its merits," it could "with benefit be transposed to an open recognition of the important role still being performed by gold."

While predictable, Horwood's performance must have caused discomfort in political and bureaucratic quarters at the IMF while at the same time drawing cheers from bankers in the galleries.

He capitalised on the use of gold in the new European monetary system (EMS) calling it "a significant step in the right direction" and rubbed it in by remarking that he hardly needed to point out "that this is not a plea on behalf of the gold producers — they are doing extremely well under the present arrangement."

In addition to its role in the EMS, he continued, Italy and Portugal have used the metal as collateral for large BOP loans; SA itself has employed it in swops; it has been "realised as reserves" in the US Treasury auctions to finance deficits and support the dollar, important nations such as France, West Germany, the UK, the Netherlands and Austria have revalued their gold holdings to market related levels; and it now makes up more than 50% of world official reserves and is market valued by the IMF.

It was Horwood rampant in Belgrade. He chose to ignore both SA's current inflation and the effects which strong gold markets could exert on the general price level. But he was the only minister with something to crow about. And he did so with both aplomb and relish

II NEOPLASMS

	W M	W F	A M	A F	C M	C F	B M	B F
0–1	0,17	0,13	0,00	0,21	0,06	0,16	0,04	0,06
1–4	0,03	0,07	0,07	0,00	0,07	0,05	0,03	0,04
5–24	0,09	0,05	0,07	0,05	0,06	0,04	0,05	0,04
25–44	0,26	0,33	0,21	0,26	0,54	0,56	0,34	0,36
45–64	3,01	2,58	1,47	2,19	5,10	2,68	2,32	1,91
65+	12,24	7,26	4,70	5,18	12,59	7,51	6,16	4,10
ALL	1,41	1,21	0,36	0,43	1,03	0,69	0,58	0,45
NO.	2920	2522	126	152	1170	809	3472	715

III ENDOCRINE, NUTRITIONAL AND METABOLIC DISEASES

	W M	W F	A M	A F	C M	C F	B M	B F
0–1	0,09	0,05	0,06	0,21	2,27	1,68	2,31	1,96
1–4	0,03	0,01	0,00	0,05	1,27	1,08	1,02	1,29
5–24	0,01	0,01	0,01	0,01	0,01	0,01	0,02	0,02
25–44	0,02	0,02	0,08	0,08	0,08	0,05	0,06	0,07
45–64	0,09	0,12	0,39	0,88	0,28	0,42	0,24	0,61
65+	0,39	0,59	1,61	2,59	0,81	1,28	1,04	1,44
ALL	0,05	0,08	0,12	0,18	0,28	0,26	0,22	0,33
No.	114	173	43	63	316	307	455	530

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GOLD MINING COMPANIES IN THE
GOLD FIELDS GROUP
DIRECTORS' REPORTS
FOR THE QUARTER ENDED 30 SEPTEMBER 1979
(All companies are incorporated in the Republic of South Africa)

WEST DRIEFONTEIN
West Driefontein Gold Mining Company Limited

ISSUED CAPITAL: 14 082 160 shares of R1 each, fully paid.

	Quarter ended 30 Sept. 1979	*Quarter ended 30 June 1979*
OPERATING RESULTS		
Gold		
Ore milled (t)	675 000	*645 000*
Gold produced (kg)	12 883,0	*13 117,8*
Yield (g/t)	19,1	*20,3*
Price received (R/kg)	8 476	*7 025*
Revenue (R/t milled)	162,19	*143,31*
Cost (R/t milled)	32,85	*33,12*
Profit (R/t milled)	129,34	*110,19*
Revenue (R000's)	109 477	*92 432*
Cost (R000's)	22 170	*21 360*
Profit (R000's)	87 307	*71 072*
Uranium Oxide		
Pulp treated (t)	313 400	*306 200*
Oxide produced (kg)	74 657	*70 788*
Yield (kg/t)	0,238	*0,231*
FINANCIAL RESULTS (R000's)		
Working profit: Gold	87 307	*71 072*
Profit on sale of Uranium Oxide and Sulphuric Acid	9 417	*2 725*
Net sundry revenue	3 313	*3 440*
Profit before taxation and State's share of profit	100 037	*77 237*
Taxation and State's share of profit	63 086	*47 795*
Profit after taxation and State's share of profit	36 951	*29 442*
Capital expenditure	2 559	*2 422*
Loan levy	4 329	*3 292*
Dividend	—	*58 441*

DIVIDEND. A dividend (No. 53) of 415 cents per share was declared on 12 June 1979 and was paid to members on 7 August 1979.

CAPITAL EXPENDITURE. The estimated capital expenditure for the current financial year is R15 million. The unexpended balance of authorised capital expenditure at 30 September 1979 was R30,4 million.

DEVELOPMENT		
Carbon Leader		
Advanced (m)	4 815	*4 469*
Sampling results:		
Sampled (m)	372	*334*
Stope width (cm)	120	*124*
Av. value: gold: (g/t)	25,0	*27,2*
cm.g/t	3 000	*3 373*
Ventersdorp Contact Reef		
Advanced (m)	1 652	*1 481*
Sampling results:		
Sampled (m)	390	*384*
Stope width (cm)	[illegible]	*[illegible]*

LIBANON
Libanon Gold Mining Company Limited

ISSUED CAPITAL: 7 937 300 shares of R1 each, fully paid.

	Quarter ended 30 Sept. 1979	*Quarter ended 30 June 1979*
OPERATING RESULTS		
Gold		
Ore milled (t)	420 000	*420 000*
Gold produced (kg)	3 150,0	*3 149,2*
Yield (g/t)	7,5	*7,5*
Price received (R/kg)	8 191	*7 001*
Revenue (R/t milled)	61,63	*52,66*
Cost (R/t milled)	29,40	*28,44*
Profit (R/t milled)	32,23	*24,22*
Revenue (R000's)	25 884	*22 116*
Cost (R000's)	12 349	*11 943*
Profit (R000's)	13 535	*10 173*
FINANCIAL RESULTS (R000's)		
Working profit: Gold	13 535	*10 173*
Net sundry revenue	623	*601*
Profit before taxation and State's share of profit	14 158	*10 774*
Taxation and State's share of profit	7 328	*4 779*
Profit after taxation and State's share of profit	6 830	*5 995*
Capital expenditure	1 540	*1 935*
Loan levy	580	*386*
Dividend	—	*7 937*

DIVIDEND. A dividend (No. 57) of 100 cents per share was declared on 12 June 1979 and was paid to members on 7 August 1979.

CAPITAL EXPENDITURE. The estimated capital expenditure for the current financial year is R20 million. The unexpended balance of authorised capital expenditure at 30 September 1979 was R33,7 million.

DEVELOPMENT		
Main Reef		
Advanced (m)	3 081	*2 737*
Sampling results:		
Sampled (m)	584	*636*
Stope width (cm)	138	*144*
Av. value: gold: (g/t)	5,2	*3,7*
cm.g/t	718	*533*
Ventersdorp Contact Reef		
Advanced (m)	1 503	*1 592*
Sampling results:		
Sampled (m)	216	*274*
Stope width (cm)	146	*155*
Av. value: gold: (g/t)	5,6	*5,5*
cm.g/t	818	*853*
Elsburg Reef		
Advanced (m)	646	*463*
Sampling results:		
Sampled (m)	94	*132*
Stope width (cm)	262	*248*
Av. value: gold: (g/t)	3,6	*7,2*
cm.g/t	943	*1 786*

EAST DRIEFONTEIN
East Driefontein Gold Mining Company Limited

ISSUED CAPITAL: 54 510 000 shares of R1 each, fully paid.

	Quarter ended 30 Sept. 1979	*Quarter ended 30 June 1979*	*Nine months ended 30 Sept. 1979*
OPERATING RESULTS			
Gold			
Ore milled (t)	630 000	*610 000*	*1 840 000*
Gold produced (kg)	12 251,5	*12 257,0*	*36 694,1*
Yield (g/t)	19,4	*20,1*	*19,9*
Price received (R/kg)	8 233	*6 898*	*7 242*
Revenue (R/t milled)	160,69	*139,22*	*144,98*
Cost (R/t milled)	30,78	*29,81*	*29,56*
Profit (R/t milled)	129,91	*109,41*	*115,42*
Revenue (R000's)	101 236	*84 922*	*266 769*
Cost (R000's)	19 390	*18 181*	*54 402*
Profit (R000's)	81 846	*66 741*	*212 367*
FINANCIAL RESULTS (R000's)			
Working profit: Gold	81 846	*66 741*	*212 367*
Net sundry revenue	2 592	*2 040*	*7 294*
Profit before taxation and State's share of profit	84 438	*68 781*	*219 661*
Taxation and State's share of profit	47 723	*37 930*	*123 836*
Profit after taxation and State's share of profit	36 715	*30 851*	*95 825*
Capital expenditure	5 637	*6 510*	*15 696*
Loan levy	3 560	*2 832*	*9 241*
Dividend	—	*29 981*	*29 981*

DIVIDEND. A dividend (No. 12) of 55 cents per share was declared on 12 June 1979 and was paid to members on 7 August 1979.

CAPITAL EXPENDITURE. The estimated capital expenditure for the current financial year is R23 million. The unexpended balance of authorised capital expenditure at 30 September 1979 was R41,3 million.

DEVELOPMENT			
Main Reef			
Advanced (m)	583	*615*	*1 746*
Sampling results:			
Sampled (m)	126	*128*	*442*
Stope width (cm)	156	*233*	*196*
Av. value: gold: (g/t)	4,7	*7,3*	*6,9*
cm.g/t	733	*1 701*	*1 352*
Ventersdorp Contact Reef			
Advanced (m)	2 344	*2 298*	*6 984*
Sampling results:			
Sampled (m)	1 092	*1 006*	*3 052*
Stope width (cm)	178	*167*	*167*
Av. value: gold: (g/t)	36,6	*18,1*	*25,2*
cm.g/t	6 515	*3 023*	*4 208*
Carbon Leader			
Advanced (m)	2 825	*3 288*	*9 138*
Sampling results:			
Sampled (m)	280	*390*	*[illegible]*

VENTERSPOST
Venterspost Gold Mining Company Limited

ISSUED CAPITAL: 5 050 000 shares of R1 each, fully paid.

	Quarter ended 30 Sept. 1979	*Quarter ended 30 June 1979*
OPERATING RESULTS		
Gold		
Ore milled (t)	327 000	*299 000*
Gold produced (kg)	1 576,1	*1 421,0*
Yield (g/t)	4,8	*4,8*
Price received (R/kg)	8 390	*7 060*
Revenue (R/t milled)	40,59	*33,65*
Cost (R/t milled)	31,78	*33,61*
Profit (R/t milled)	8,81	*0,04*
Revenue (R000's)	13 274	*10 063*
Cost (R000's)	10 392	*10 050*
Profit (R000's)	2 882	*13*
FINANCIAL RESULTS (R000's)		
Working profit: Gold	2 882	*13*
Profit on sale of pyrite	194	*19*
State assistance	—	*735*
Recovery under loss of profits insurance	481	*—*
Net sundry revenue	238	*242*
Profit before taxation	3 795	*1 009*
Taxation	1 785	*178*
Profit after taxation	2 010	*831*
Capital expenditure	22	*91*
Loan levy	177	*17*
Dividend	—	*1 515*

DIVIDEND. A dividend (No. 78) of 30 cents per share was declared on 12 June 1979 and was paid to members on 7 August 1979.

CAPITAL EXPENDITURE. The estimated capital expenditure for the current financial year is R250 000. The unexpended balance of authorised capital expenditure at 30 September 1979 was R229 000.

OPERATIONS. The area affected by the underground fire has been re-opened and operations are proceeding normally.

DEVELOPMENT		
Main Reef		
Advanced (m)	1 452	*1 181*
Sampling results:		
Sampled (m)	484	*568*
Stope width (cm)	151	*148*
Av. value: gold: (g/t)	3,9	*5,9*
cm.g/t	589	*873*
Ventersdorp Contact Reef		
Advanced (m)	63	*57*
Sampling results:		
Sampled (m)	Nil	*12*
Stope width (cm)	—	*144*
Av. value: gold: (g/t)	—	*1,2*
cm.g/t	—	*[illegible]*

Main Reef		
Advanced (m)	39	268
Sampling results:		
Sampled (m)	Nil	4
Stope width (cm)	—	132
Av. value: gold: (g/t)	—	0,7
cm.g/t	—	92

CAPITAL WORKS. The excavation of the 12 Level pump station at No. 4 Shaft is progressing satisfactorily. Preparatory work on the 4 Level pumping layout is in progress.

Work continues on the excavation of the pump station on 26 Level at No. 6 Sub-Vertical Shaft.

On behalf of the board
A. Louw, C. T. Fenton } Directors

8 October 1979

VLAKFONTEIN

Vlakfontein Gold Mining Company Limited

ISSUED CAPITAL: 6 000 000 shares of 80 cents each, fully paid.

	Quarter ended 30 Sept. 1979	*Quarter ended 30 June 1979*	*Nine months ended 30 Sept. 1979*
OPERATING RESULTS			
Gold			
Ore milled			
From surface dumps (t)	175 000	180 000	535 000
Gold produced (kg)	201,3	234,0	646,3
Yield (g/t)	1,2	1,3	1,2
Price received (R/kg)	8 357	7 066	7 309
Revenue (R/t milled)	9,63	9,21	8,86
Cost (R/t milled)	5,54	5,00	5,06
Profit (R/t milled)	4,09	4,21	3,80
Revenue (R000's)	1 686	1 657	4 741
Cost (R000's)	970	899	2 709
Profit (R000's)	716	758	2 032
FINANCIAL RESULTS (R000's)			
Working profit: Gold	716	758	2 032
Net sundry revenue	144	177	452
Profit before taxation	860	935	2 484
Taxation:			
Formula tax	404	465	1 176
Non-mining tax	37	37	112
Excess recoupments tax	13	26	53
Profit after taxation	406	407	1 143
Capital expenditure recoupments (net)	9	15	51
Loan levy	42	48	123
Loan levy refunds	—	—	172

OPERATIONS. The lower tonnage milled for the quarter was due to mill repairs being effected.

CAPITAL EXPENDITURE. There were no capital expenditure commitments at 30 September 1979.

REPAYMENT OF CAPITAL. A repayment of capital of 10 cents per share was made to members on 7 August 1979.

On behalf of the board
C. T. Fenton, B. R. van Rooyen } Directors

8 October 1979

Advanced (m)	189	52[illegible]
Sampling results:		
Sampled (m)	22	34
Stope width (cm)	145	131
Av. value: gold: (g/t)	4,2	6,1
cm.g/t	609	799

SHAFT SINKING

No. 2 Sub-Vertical Shaft. The shaft was sunk 89 metres to a depth of 1 098 metres below collar.

No. 1A Service Shaft. The shaft was sunk 52 metres to a depth of 155 metres below collar.

No. 2A Service Shaft. Cutting of the headgear portion of the shaft and of the associated excavations is in progress.

On behalf of the board
C. T. Fenton, A. J. Weideman } Directors

8 October 1979

KLOOF

Kloof Gold Mining Company Limited

ISSUED CAPITAL: 30 240 000 shares of R1 each, fully paid.

	Quarter ended 30 Sept. 1979	*Quar end 30 Ju 19*
OPERATING RESULTS		
Gold		
Ore milled (t)	540 000	525 0
Gold produced (kg)	8 177,2	7 92
Yield (g/t)	15,1	1
Price received (R/kg)	8 185	6 9
Revenue (R/t milled)	124,38	104,
Cost (R/t milled)	34,55	33,
Profit (R/t milled)	89,83	71,
Revenue (R000's)	67 163	55 0
Cost (R000's)	18 656	17 6
Profit (R000's)	48 507	37 4
FINANCIAL RESULTS (R000's)		
Working profit: Gold	48 507	37 4
Net sundry revenue	1 558	1 45
Profit before taxation and State's share of profit	50 065	38 86
Taxation and State's share of profit	29 618	22 04
Profit after taxation and State's share of profit	20 447	16 81
Capital expenditure	2 649	2 791
Loan levy	2 209	1 641
Dividend	—	24 192

DIVIDEND. A dividend (No. 19) of 80 cents per share was declared on 12 June 1979 and was paid to members on 7 August 1979.

CAPITAL EXPENDITURE. The estimated capital expenditure for the current financial year is R20 million. The unexpended balance of authorised capital expenditure at 30 September 1979 was R44,4 million.

DEVELOPMENT		
Ventersdorp Contact Reef		
Advanced (m)	6 985	6 309
Sampling results:		
Sampled (m)	72	278
Stope width (cm)	147	148
Av. value: gold: (g/t)	18,2	18,7
cm.g/t	2 675	2 768

NO. 3 SUB-VERTICAL SHAFT. Work preparatory to sinking of the shaft is still in progress. The north man winder is being installed.

On behalf of the board
C. T. Fenton, A. Louw } Directors

8 October 1979

SHAFTS

No. 2 Sub-Vertical Shaft. Excavation of the headgear portion of the shaft and of the initial layout is in progress.

Service Shafts. No. 1A Service Shaft has been completed and sinking of No. 1B Service Shaft is in progress.

On behalf of the board
C. T. Fenton, A. Louw } Directors

8 October 1979

DEELKRAAL

Deelkraal Gold Mining Company Limited

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 30 Sept. 1979	*Quarter ended 30 Sept. 1979*	*Total since inception of company to 30 Sept. 1979*
FINANCIAL (R000's)			
Capital expenditure:			
Mining lease	—	—	1 800
Shafts	1 805	1 395	57 943
Other capital expenditure	4 196	4 294	74 458
	6 001	5 689	134 201
Sundry revenue	431	556	11 100
Taxation	169	222	4 485
Loan levy	16	22	514
Loan levy refund	—	—	2

CAPITAL EXPENDITURE. The estimated capital expenditure for the current financial year is R17,2 million. The unexpended balance of authorised capital expenditure at 30 September 1979 was R8,8 million.

	Quarter ended 30 Sept. 1979	*Quarter ended 30 June 1979*	*Nine months ended 30 Sept. 1979*
DEVELOPMENT			
Ventersdorp Contact Reef			
Advanced (m)	3 677	2 827	9 207
Sampling results:			
Sampled (m)	368	62	430
Stope width (cm)	162	201	168
Av. value: gold: (g/t)	5,9	3,4	5,5
cm.g/t	956	683	924
Deelkraal Reef			
Advanced (m)	485	241	726
Sampling results:			
Sampled (m)	348	180	528
Stope width (cm)	152	146	150
Av. value: gold: (g/t)	2,7	2,1	2,5
cm.g/t	410	307	375

CAPITAL WORKS

Reduction Works. The commissioning of the reduction works started during September and is progressing satisfactorily.

No. 2 Shaft. This shaft is now fully equipped and has been commissioned for permanent winding and ventilation.

No. 1 Sub-Vertical Shaft. The headgear is ready and the shaft has been equipped to a depth of 168 metres below the collar on 9 Level. The excavation of the rock hoist chamber has been completed. The foundations for the man winder have been cast and installation of the winder has commenced.

OPTION AGREEMENT. In terms of an agreement entered into with Gold Fields of South Africa Limited on 28 September 1979, this company has been given the right to prospect in a small area of approximately 10,5 hectares adjoining the northern boundary of the company's mining lease area, with the option to either purchase the mineral rights thereof or to acquire the right to mine in the area.

On behalf of the board
C. T. Fenton, A. Louw } Directors

8 October 1979

On behalf of the board
C. T. Fenton, D. C. Dykes } Directors

8 October 1979

DOORNFONTEIN

Doornfontein Gold Mining Company Limited

ISSUED CAPITAL: 9 828 000 shares of R1 each, fully paid.

	Quarter ended 30 Sept. 1979	*Quarter ended 30 June 1979*
OPERATING RESULTS		
Gold		
Ore milled (t)	360 000	360 000
Gold produced	3 024,0	3 026,6
Yield (g/t)	8,4	8,4
Price received (R/kg)	8 386	6 972
Revenue (R/t milled)	70,66	58,83
Cost (R/t milled)	35,20	33,84
Profit (R/t milled)	35,46	24,99
Revenue (R000's)	25 438	21 180
Cost (R000's)	12 671	12 183
Profit (R000's)	12 767	8 997
FINANCIAL RESULTS (R000's)		
Working profit: Gold	12 767	8 997
Net sundry revenue	571	563
Profit before taxation and State's share of profit	13 338	9 560
Taxation and State's share of profit	7 584	4 159
Profit after taxation and State's share of profit	5 754	5 401
Capital expenditure	1 384	2 491
Loan levy	478	264
Dividend	—	3 931

DIVIDEND. A dividend (No. 45) of 40 cents per share was declared on 12 June 1979 and was paid to members on 7 August 1979.

CAPITAL EXPENDITURE. The estimated capital expenditure for the current financial year is R16 million. The unexpended balance of authorised capital expenditure at 30 September 1979 was R74,5 million.

DEVELOPMENT		
Carbon Leader		
Advanced (m)	3 373	3 482
Sampling results:		
Sampled (m)	610	594
Stope width (cm)	106	105
Av. value: gold: (g/t)	14,3	10,5
cm.g/t	1 516	1 103
Main Reef		
Advanced (m)	1 041	1 261
Sampling results:		
Sampled (m)	524	690
Stope width (cm)	120	117
Av. value: gold: (g/t)	7,6	7,3
cm.g/t	912	854

Development towards the proposed No. 1 Sub-Incline Shaft to serve the area to the south of the present mine boundary is nearing the shaft collar position.

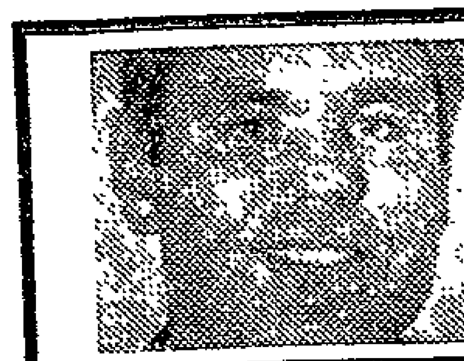
On behalf of the board
C. T. Fenton, D. J. Holliday } Directors

8 October 1979

Copies of the reports may be obtained from the Secretaries, 75 Fox Street, Johannesburg, 2001.

All you ever wanted to know about the phenomenal rise in the price of...

GOLD



By TONY HENFREY
International adviser on gold

ACCORDING to Lenin it is fit only "for building public lavatories", certain US bankers have called it "a highly speculative commodity" whilst US Representative Henry Reuss considered it "worth only seven dollars per ounce". It, of course, is gold which earlier this week soared to a record high of 437 dollars in London — up 322 percent on its 103,50-dollar low made in August 1976 and 402 dollars above, or 1 148 percent higher than, its official price of 35 dollars an ounce just eight years ago.

What could possibly have happened to cause this massive rise in the price of this precious metal in such a comparatively short period of time, when it was priced at 35 dollars for 37 years?

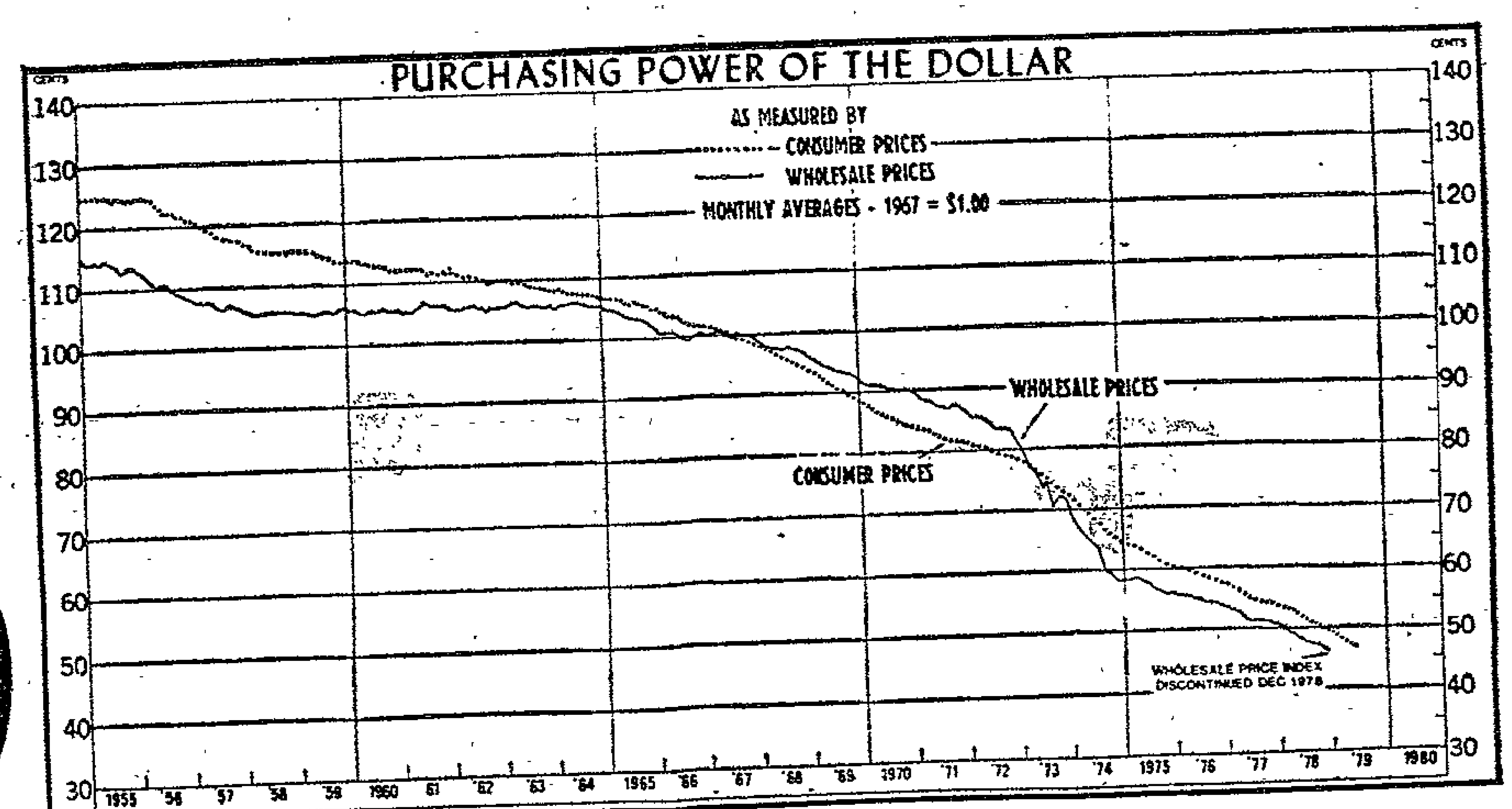
Basically it is a loss of confidence in paper currencies, particularly the once "almighty" US dollar. I have done a little research on the background of gold and the US dollar which gives insight into what is happening now.

In 1913 the Federal Reserve System was created by the United States Congress and at the same time the dollar was tied to gold.

Twenty years later, in the thick of the Great Depression, President Roosevelt and his advisers decided that it was politically expedient to get the economy going. They reasoned that if the price of gold was increased it would result in a general increase in prices. So on 31st January 1934, the US Congress prohibited Americans from owning gold and the gold price was increased by almost 70 percent from 20,67 dollars to an artificially high 35 dollars. This caused the US to become net buyers of gold, and between 1935 and 1940 the US gold stock rose from 10-billion to 22-billion dollars which resulted in a strong currency.

Until the early 1960s gold stayed at 35 dollars, but then it moved up to 38 dollars because of the growth and expansion in the US and the economic recovery of the European

$



...and the dollar's fall

WHAT YOU GAIN!

SOUTH AFRICA sells about 22 million ounces of gold each year. At a gold price of 200 dollars that translates into foreign exchange receipts of 4,4 billion dollars, but at 400 dollars this jumps to 8,8 billion dollars and the country is in the enviable position of paying for all its imports with just its gold sales.

"It is really terrific to see the cash register working overtime but will I derive any benefit?", is the obvious question being asked by the man-in-the-street.

Yes indeed he will. In simplified terms this extra cash bonanza means that the money supply in the hands of the private sector is increased. This will stimulate consumer spending and ultimately lead to a higher growth rate.

The exchequor receipts (Government tax from gold mines) will rise and with less demand for money on the capital market by Government, interests rates should theoretically decline further.

Also the possibility exists of the personal tax rate being reduced which will encourage consumer spending.

With this increased volume of dollars being received, the rand should continue to strengthen against the dollar with the result that confidence will improve in a currency that is appreciating in value. This will likely have a beneficial effect on the capital account of our balance of payments.

Overall, domestic confidence will be enhanced and it is expected that the climate for growth will be improved.

It is likely there will be an increase in the number of jobs available and importantly for John Citizen, he should end up with more disposable income (spending money).

nations. Gold, which had been overvalued at 35 dollars in 1934, was now in demand at 38 dollars in 1961.

Instead of logically increasing the price again, the US Administration decided that they would thwart the demand for gold by pegging it at 35 dollars an ounce and estabished the Gold Pool in 1961 in order to do so. By 1966 the US gold stock had declined by almost 15 billion to around 13 billion, and in 1967 the Pentagon advised the Administraton not to allow the gold reserves to fall below 10 billion dollars for strategic reasons.

So the US gold holdings of amost 800 million ounces had been reduced to less than 300 million ounces and the demand for gold continued undiminished. As a consequence, the Gold Pool was disbanded in March 1968 with the US gold stock reduced by more than half — victory was claimed in having demonetised gold!

The dollar, nevertheless, continued to be "as good as gold," being freely convertible into gold at the official price of 35 dollars an ounce until August 5, 1971. On that eventful day President Nixon slammed shut the gold window as the US defaulted on the 1944 Bretton Woods Monetary Agreement and the dollar was no longer convertible into gold. Up till then, despite the fact that the Federal debt was far greater than the gold stock, holders of dollars were confident in the ability of the US Government to back its currency.

However, the fact that the US lost 18-billion dollars in gold during the 1960s indicates that there were many who were justifiably wary of the dollar, despite its backing.

Until 1971 the dollar was valued in terms of gold, but since then gold has been valued in terms of the US dollar. So the rise in the price of gold from 35 dollars to 437 dollars must be an indictment against the value of the dollar.

The accompanyng chart shows just what has happened to the value of the dollar. Since 1955 the purchasing power of the dollar has diminished greatly — it now buys less than 40 percent of what it did in 1955.

But why does the dollar buy less now than it did five, 10 or 20 years ago? The answer is simple — inflation.

Inflation is an increase in the quantity of money and credit, usually because of extravagant expenditure by government which is not matched by tax revenues. Zooming prices are a consequence of inflation and the unit of currency buys less.

When it comes to deficit spending the United States is top of the league — Federal debt has now passed the 800 billion dollar mark which is about 4 000 dollars for every man, woman and child. In the process, the Eurodollar market has grown into an ocean of money, also in the vicinity of 800 billion dollars. So then, US fiscal policies have caused a ballooning in the dollar supply whilst resultant high inflation causes a reluctance on the part of foreign as well as domestic recipients to hold them.

Fear that the currency debasement will continue has driven up the demand for precious metals by those who have learned from history.

It is an historical fact that in times of inflation, precious metals will rise faster and more than compensate for the loss of the purchasing power of paper money.

In 1721, during John Law's experiments with paper money in France, no less a person than M. Lambert, president of the Parliament of Paris, told the regent that he would rather have 100 000 livres in gold and silver than 5 millions in the notes of the regent's bank.

Exactly why people turn to gold in times of financial uncertainty is not definite, but that they do is an undisputable fact. Of course some standard or discipline is needed and in order to restore faith in the dollar, the US would, theoretically, need to be in a position to back its currency with gold. The US is still the biggest single holder of gold in the world with 267,4 million ounces in its stockpile in July, which at 400 dollars is worth 107 billion. Even so, that falls a long way short of the 800 billion dollar debt of the United States whose dollar is the world's reserve currency.

Hectic selling rocks jittery Wall Street

New York

A record 82-million shares changed hands in frenzied selling on the New York Stock Exchange yesterday — half a century after the great Wall Street crash of 1929.

This triggered a rush of selling today on the Tokyo Stock Market and prices plunged as 370-million shares changed hands.

The fall was led by export-oriented issues such as vehicles and cameras.

The selling wave on Wall Street yesterday followed moves by the United States Government to curb inflation and rescue the ailing dollar. Dealers described the hectic trading as bordering on hysteria.

Sapa-Reuter reports that the Federal Reserve Board chairman, Mr Paul Volcker, said his tight money policy would be "good for the country, and in the long run good for the markets."

He defended the Federal Reserve's decision to raise interest rates and restrict money demand.

Critics have claimed his action could dry up credit and drive the US deeper into recession. It is these fears which underly the chaotic selling on Wall Street.

About 82,2-million shares changed hands, almost all at lower prices. The previous record was 66,4-million shares on August 3 last year.

"The atmosphere resembles restrained terror," said Mr Michael Metz, vice-president of the Oppenheimer and Company brokerage firm.

"The change in market psychology has been so sudden, so radical, that no one really can grasp it yet."

Mr Volcker said his policy was designed to limit excessive credit borrowing, not eliminate moderate credit demands.

He singled out credit for use in gold speculation and other commodities, saying this was "not a priority use of credit."

Colin Campbell, the Star's Deputy Financial Editor, writes that the danger of a collapse of Wall Street spilling over to the rest of the world's stock exchanges is very real, but the South African market should be insulated against the worst.

The Johannesburg Stock Exchange has the most gold shares quoted on any world stock market, and because of the rush for gold and gold shares, Johannesburg should attract worldwide interest.

The fears that have gripped Wall Street stem from the record level of interest rates in the US and growing fears of another worldwide recession.

But South Africa has the strength of gold behind it to stave off the worst of a worldwide depression.

But SA market is still glittering

Despite the heavy selling of shares on Wall Street and the Tokyo and Paris bourses, the Johannesburg Stock Exchange has not yet been affected by the investment gloom sweeping the world.

The strong gold price plus the weight of money looking for investment homes is keeping the South African market firm.

Dealers described trading on the JSE today as fairly normal, although golds were lower because of a fall in the London gold price.

Technical factors associated with the creation of financial rands knocked De Beers back, but the fall was not serious.

● SA shares on top, says survey — Page 27.

Gold price swings wildly

Star 11/10/79

(79)

The gold price see-sawed in world markets today, and in London came back to $400 mark — down eight dollars on yesterday's last fix.

In Zurich — swung wildly, falling to $392-385 before recovering to $401-404.

In Hong Kong it lost five dollars to close in the $405-408 range.

Gold's nervous performance today reflected mar-

...g the deferral me...

Note 4, assume now that the company has a set
re depreciation of R60 000 in 19.8.

income statement for the 19.8 financial year
liability method
deferral method
tax rate remains 42%

Star 12/10/79

79

Consolidated Gold Fields Limited

(Incorporated in England)

Preliminary announcement of results for the year to 30 June 1979 and proposed Final Dividend on Ordinary Shares

1. Summary

Consolidated Gold Fields Limited reports earnings of £113,8 million before interest and tax for the year to 30 June 1979 (increase of 30%). Earnings per share rose 52% to 38,12p per share.

Directors will recommend a final dividend of 10p per share, bringing total dividend for the year to 13,510 8p per share (increase of 47%).

2. Group Profit and Loss Account

	1979 £ million	1978 £ million
Operating profit:		
Construction materials	30,7	28,9
Manufacturing and commercial	21,4	19,1
Mining	8,5	(4,2)
Financial		
Dividends on investments	22,3	16,3
Realisation of investments	7,1	10,0
Other revenue net of charges	5,4	3,6
	95,4	73,7
Share of profit of associated companies	18,4	13,8
Profit before interest and taxation	113,8	87,5
Interest payable	17,4	17,7
Profit before taxation	96,4	69,8
Taxation		
Group	31,5	28,8
Associated Companies	1,1	0,9
Profit after taxation	63,8	40,1
Attributable to minority interests	7,6	5,6
Attributable to the members of Consolidated Gold Fields Limited	56,2	34,5
Ordinary dividends (including proposed final)	20,0	13,5
Retained	36,2	21,0
	56,2	34,5
Earnings per share (based on the average issued ordinary share capital)	38,12p	25,15p

3. Profit before interest and taxation – Increase £26,3 million

The principal factors were:

(a) *Construction materials* – Increase £1,8 million
Despite the hard winter higher profits were earned from aggregates in the U.K. and from concrete pipes in the U.S.A.

(b) *Manufacturing and commercial* – Increase £2,3 million
This was mainly attributable to higher profits from Azcon's operations in the U.S.A. In the U.K. Tennant Trading ...

(c) *Mining* – Increase £12,7 million
Profits from the Renison tin mine rose to a new record level, and at the Mount Goldsworthy iron ore mine there was a significant improvement in results. The previous year's figures were affected by losses at the Wheal Jane tin mine in Cornwall which has since been closed. These improvements were partly offset by losses on coal mining (Australia and U.S.A.) and development costs (U.S.A. and Canada).

(d) *Financial* – Increase £4,9 million
This was principally due to higher dividends from gold mines, partly offset by lower profits on realisation of investments.

(e) *Associated companies* – Increase £4,6 million
This was due to higher profits in Gold Fields of South Africa, reflecting increased dividends from gold.

4. Group Current Cost Earnings

Earnings per share on a current cost accounting basis increased by 45% to 24,4p per share.

5. Group Balance Sheet

	1979 £ million	1978 £ million
Assets employed		
Fixed assets	218,2	221,6
Goodwill	12,0	12,6
*Associated companies	64,1	62,7
*Investments	59,7	62,3
Net current assets	126,4	114,5
	480,4	473,7
Financed by		
Issued capital	37,0	36,6
Reserves	305,6	286,9
	342,6	323,5
Minority interests	30,3	26,9
Loan capital	102,9	114,9
Deferred taxation	4,6	8,4
	480,4	473,7
*The excess of the stock exchange value of the listed investments and of the investments in the listed associated companies over their book values included above was	223,9	135,2

6. Annual Report, Dividend and Annual General Meeting

The Report and Accounts will be posted on 30 October 1979. The Annual General Meeting will be held at the Dorchester Hotel, Park Lane, London, W1, on Tuesday, 27 November 1979, at 11.30 a.m. and, subject to approval of the proposed final dividend at this Meeting, the following arrangements with regard to payment will be made:

The dividend will be payable on 5 December 1979 to holders of Ordinary shares registered in the books of the Company at the close of business on 2 November 1979, and to holders of Coupon No. 126 detached from Ordinary Share Warrants to Bearer.

Dividend warrants will be posted to registered shareholders on 4 December 1979.

Shareholders on the Johannesburg Branch Register of the Company will be paid from the Company's office at 75 Fox Street, Johannesburg, in South African currency at the London foreign exchange market spot selling rate for Rand at the close of business on 2 November 1979, or, if no dealings in Rand are transacted on that date, at the close of business on the day next following on which dealings in Rand are transacted.

At the current rate of exchange of R1,79 to the £ sterling, the amount receivable would be 17,9c per share.

By Order of the Board,
D. C. DYKES,
Johannesburg Secretary.

Transfer Office,
75 Fox Street,
Johannesburg,
2001.

49 Moorgate,
London, EC2R 6BQ

10 October 1979

179

S/Tribune

14/10/79

DATE ....

sition .... requesting a new/

Gold still has that special glitter

AFTER a promising start to the week, the gold market turned sour on Friday. The London gold price came back below the 400-dollar mark on Thursday as the US dollar support package started to have some effect on the dollar in foreign exchange markets.

The price list was littered with losses, but the true gold bugs are still retaining their long term faith. The week started off on a soft note, but excitement hotted up on Tuesday when Kuwait and Mexico announced that they were raising their oil prices.

Wall Street midweek shake-out temporarily helped the gold price, but on Friday the US dollar was gathering steam on all world foreign exchange markets.

Mining financials trailed their underlying gold and metal shares, and moved in both directions, and in consequence with the gold price, the quote for Krugerrands was R5 lower on Thursday.

The week saw the rest of the unit trust quarterly reports for September, but individual portfolio changes were not really sufficient to excite the market.

The best performer this week was undoubtedly Pioneer Holdings, following details of the new R40 million plus unit property trust group. Pioneer shareholders are offered 415 units for every 100 shares held, and when the shares were reinstated, they moved up sharply. By late Friday, Pioneer traded at 470c — well above the offer price — suggesting that the market was considerably excited about the prospects.

Annual reports continue to trickle in this week, but by and large there was nothing terribly exciting. Truworths said it was unable to give a precise prediction for this year's earnings: The McCarthy group gave a cautiously optimistic report: and on Friday Frasers reported a sharp increase in second half earnings, which helped full year's profits rise from R3.09 million to R5.86 million.

Three shares were suspended this week in both London and Johannesburg— Charter, ZCI and Minorco. Market suggestions are that Charter will trim its South African interest and concentrate on British investments, and that there will be a general restructuring.

Following on the earlier reorganisation in the Anglo American camp between Anglo and Rand Selections, no one was taken by surprise at Charter's suspension this week.

For the week ahead, the market will be furnished with the balance of the September gold mining quarterly reports, which in general prove to be a good read. Lists for the Sasol public offer close at noon on Friday, and there will be details later next week about the JSE quotation of Dickinson Robinson.

THE big financial story of the week, and certainly the biggest share price increase, was Pioneer Holdings' details of the new unit trust scheme based initially on Pioneer's property portfolio.

The new fund will have an initial base of R40 million and as Sage's Louis Shill said in an interview "it's probably the most exciting industrial property portfolio this country has ever had."

Another item which kept investors busy this week was the final wrap up of the September round of mutual fund reports, a feature of which has been the general rush into Sasol shares. The man-in-the-street public offer for Sasol's closes on Friday.

Mining news managed to capture a large slice of the headlines this week, what with Waverley Gold Mines in its annual report hinting that the potential of its various mineral rights could soon be realised. And with Trans-Natal announcing in its annual report on Friday that it will be spending between R70 million and R80 million on its Hlobane Colliery which will mean a major reconstruction, mechanisation and an increase in output.

Trans-Natal has long been a coal favourite with investors seeking a cheaper entry into the market. Last year to June was another good year, with earnings up from 37,6 cents to 42,5 cents a share, and the dividend up from 18,5 to 24,0 cents a share. What the planned expansion will do for the dividend in the immediate term is not that clear although as the company says that it will finance the expansion largely by way of loan capital from "certain sources" there may well be something or a brake on dividend payments — short term. At the end of the day, as the rewards are coming home dividends and earnings will undoubtedly benefit.

Truworths served up a mildly disappointing annual report, with Chairman L. Shawzin telling shareholders that "I do not feel justified in making any precise predictions about earnings for the year ahead . . ." Last year was a difficult one for the group although there was some improvement in the last quarter — a trend which the board hopes will continue.

A more encouraging outlook was served by Brian McCarthy of the McCarthy group who reminded his shareholders that the group has a sound balance sheet, and that prospects for the group in the longer term were sound, despite an expected difficult period immediately ahead. In his September 10 review the chairman said that the growth of the group was directly related to the size of the country's vehicle market.

Evidence that the economy is gathering steam came with Frasers' results on Friday. After a very modest one percent increase in the first half of the year to September. Frasers managed to report a second half profit advance of 24,5 percent.

For the full year net earnings rose from 53,5c to 61,3c a share.

Events of note in the week ahead include the rest of the gold mining quarterly reports, the closure of the Sasol issue lists on Friday, and details of a new company which is coming to the lists — Dickinson Robinson, the giant British stationery group.

JSE Actuaries Index

At noon	428,3	355,6	176,8	332,2	379,2
October 11	433,3	360,5	178,3	330,9	379,8
October 10	438,0	377,0	180,9	330,3	378,6
October 8	434,6	368,1	181,8	329,1	370,4
October 5	434,7	384,7	181,0	328,3	376,8
October 4	428,3	351,7	180,2	329,2	378,7
October 3	442,0	349,3	187,1	334,3	384,1
October 2	495,5	402,9	196,8	335,4	387,3
Month ago	449,9	388,7	191,0	335,0	388,3
Year ago	283,8	260,3	118,8	299,4	263,7

Bases at 1960: All Market — 100, Golds — 87,9, Metals and Minerals — 271,1, Financials — 100, Industrials — 89,9.

COMPANY

By Colin

BEN TEMKIN ON THE RISE IN GOLD AND FOREX RESERVES: AND A WORD OF PRAISE FOR EXPORTERS, TOO

79

THE RISE in South Africa's gold and foreign exchange reserves to more than R3 400 million, reflects more than anything else the continued outstanding performance of the Republic's exporters.

Foreign exchange holdings alone were up by R273 million to R670 million in a month in which capital outflows continued.

The value of the country's gold holding was R450 million better from R2 291 million to R2741 million reflecting the higher market related value of R285,20 against R237,97 in August.

It is clear from these figures non-gold exports must be improving notwithstanding dismal predictions and the possible world economic slowdown.

These exports are across a broad spectrum of the economy although minerals and agricultural products account for the larger portion. Platinum and diamonds, the former especially, are an important component of the improved export figures while base minerals have been benefiting from better world prices. The improvement in the copper market has been particularly notable.

There is some fear as the world economy tends to slow down commodity prices will tend to fall. But it should be remembered much of the stockpile overhanging the markets has been run down and current prices reflect demand far more accurately on a day-to-day basis than was the case a year ago.

Nor will speculators want to build up stocks in anticipation of an economic boom so that prices are likely to remain more realistic and probably won't fall much — if at all — if the anticipated slowdown takes place.

This strong trading position implies South Africa could well be meeting its oil import payments out of non-gold exports so gold exports represent the bulk of the trade surplus.

This is indeed a healthy position to be in and one which accounts for the growing interest in rand investments from overseas.

The significance of this interest lies in its being able to generate medium-to-long-term capital flows towards South Africa. Such flows could become important if the outflow of short-term capital increases too rapidly.

The outflow capital results mainly from switching of trade finance from foreign to domestic sources. This is likely to be accentuated with the latest rise in the US discount rate, the effect of which will be to make money more costly both in the US and in Europe in the Eurodollar market.

In addition, money in the Euro-dollar market will not be so readily available following the US Federal Reserve board's increase in reserve requirements for banks. The eight percent requirement will apply to the Euromarkets as well as to the United States.

The capital outflow will, therefore, be encouraged by foreign banks so that they will have more money available for favoured customers. This does not contradict the view that more investment capital could flow to South Africa. Investment capital will not necessarily be in the form of bank finance. In fact, the major interest in South Africa is entrepreneurial and there is a strong likelihood of increasing direct investment rather than loans.

Exactly which sector will attract this direct investment is not all that easy to determine. It is significant, though, that much of the improvement in South Africa's trading pattern has been through the additional earnings created through improved beneficiation of primary products.

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May Barnett, Ridgeworth

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... paprika and parsley

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... at salad platter; cut side

---o0o---

S. Drury, East London

CHICKEN

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4 T final

... cup cucumber, peeled and diced
... cup cooked green peas

... with French dressing.
... with greaseproof paper

... lemon juice.

---o0o---

CURRIED GREEN BEAN SALAD

Mrs Futter, East London

2 lbs sliced green beans
2 chopped onions

1 d salt, level
2 cups water

Boil the beans (sliced) with salt and onions till cooked, then pour off the water.

Sauce:

1 1/2 cups sugar
1 d curry powder

1 heaped T flour
1/2 bottle vinegar

Mix the curry powder, flour with a little water. Mix well, so that no lumps form, and then add the sugar and vinegar, boil up and stir all the time, then add the cooked beans and onions, bring to boil again. Bottle.

---o0o---

APPLE TUNA TOSS SALAD

1 medium head lettuce, torn in bite-size pieces (4 cups)
2 cups diced apple
1 11 oz can (1 1/3 cups) mandarin orange sections, drained
1 6 1/2 or 7 oz can tuna, drained and broken in large chunks

1/3 cup coarsely chopped walnuts
1/2 cup mayonnaise or salad dressing
2 t soya sauce
1 t lemon juice

In a large salad bowl, combine lettuce, apple, orange sections, tuna and nuts; toss together. Combine mayonnaise, soya sauce and lemon juice; mix well. To serve, add dressing to salad; toss gently. Makes 4 - 6 servings.

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Gold: What's in it for us?

S Tribune 14/10/79

DESPITE the rapidly rising price of gold, the average consumer has almost gone empty handed in spite of the massive cash bonanza received by the Government and mining house coffers.

In its latest Economic Review, the Standard Bank points out that despite the long standing upward trend in the gold price, its visible effect on the economy has been disappointing.

It says the traditional link between export performance and the internal growth rate now appears to have been severely weakened.

The bank says: "The real benefits of the gold and export boom have effectively been postponed. So far, the only visible beneficiaries of nearly three years of gold price increases have been Government finances and mining house profits and liquidity, while the average consumer has gone almost empty handed.

"In line with its generally conservative stance, by allowing only a token rise in the rand's exchange rate against a weak dollar, the Government also failed to take advantage of the opportunity created by high gold and export earnings to tackle double digit inflation".

By TONY HUDSON
Finance Editor

Reasons given by the bank for the lack of stimulation to the economy include:

- The increased overseas dividend payments and the downward pressure on interest rates;
- The resultant capital outflows which dampened the effect of the rising gold price;
- The economic policy actions of the Government, which may well have carried its policy of financial conservatism beyond a level beneficial to the economy.

Standard says another problem has been the Treasury's inability to change its orientation between budgets to take advantage of changing situations.

It says higher-than-budgeted tax revenues (mainly from mining) and a flood of money on to the capital market obviated the Government's need for reflationary financing.

However, it was these circumstances which led to policies which effectively contributed to, rather than overcoming, the economy's sluggishness.

A contributing factor was the reduction of the Treasury's traditional extensive reliance on short-term bank credit to finance its expenditure, recently turned into a factor which has had an undue dampening effect on the growth of money supply.

However, Standard does not blame the Government's fiscal policies alone for the problem. It says a large part was played by the excess liquidity in mining house coffers.

A significant proportion of this leaked out of the economy in the form of dividends to foreign shareholders. More important, however, was the effect the tremendous amount of surplus liquidity had on the money market, pushing interest rates down, when they were rising overseas.

This meant it was cheaper to finance foreign trade locally than abroad a factor which increased the outflow of short-term capital from South Africa.

On the positive side, the bank says the outflow of short term funds has given the country a good reserve to draw on when things speed up again, and the inflow of funds from gold has placed the Government in a good position to take positive action in changing the tax structure to get the economy on the growth path again.

And, it states, the signs are the authorities are changing thinking on their policies and the result of these changes could well be seen in the next budget.

The Chartist It's not only gold...

14/10/79 Sunday Tribune (79)

SO YOU thought all the excitement has been in the international gold markets?

But the London Metal Exchange has been a hive of activity from the low point made on July 30. Since then the following gains have been made — copper up 38 percent, tin up 20 percent, platinum up 70 percent, silver up 105 percent, lead up 32 percent and zinc up 24 percent.

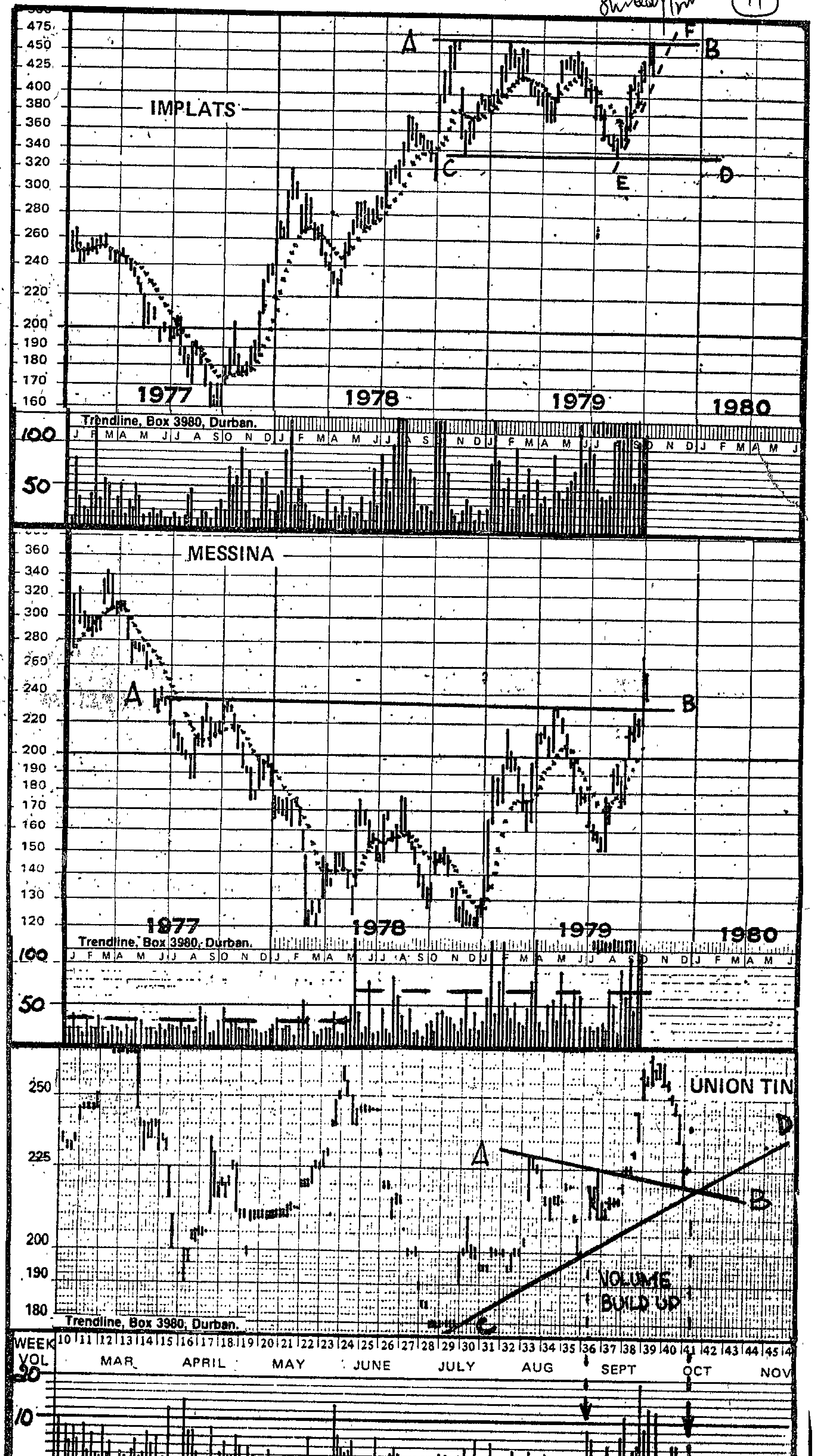
IMPLATS (445): This platinum producer has been attracting a fair amount of interest from investors. Since July the shares have risen by almost 40 percent compared to 70 percent rise in the metal price.

The shares have made a large formation bounded by lines AB and CD. A rise above 470 is needed to penetrate line AB and signal a breakout. The upside target in this even would be 640. As long as line EF holds the outlook remains bullish, if it gives way then there would be the prospect of a decline to support from line CD seen around 340.

MESSINA (260): Since July, copper has risen 38 percent while Messina has climbed by over 70 percent in spectacular fashion. In the process, line AB has given way. Notice the increased tempo of volume since May last year, which I have marked with broken lines. Line AB should contain any weakness around 230 and between that level and, say, 275 the shares should be considered a good investment. The upside objective is the 400 level.

UNION TIN (240): This chart shows daily price movements, whereas the first two are weekly bar charts. Lines AB and CD form a triangle type formation which was broken on the upside a few weeks back. The breakout was accompanied by rising volume. Then followed a pullback to find support from lines AB and CD at 220 while volume declined. This type of performance — the breakout and the pullback to the break point is invariably bullish and allows investors the opportunity to acquire stock. As you can see from the volume build up that is exactly what has been happening. The medium term target is 375.

Tony Henfrey



THE LESSON FOR GOLD AND A LOOK INTO THE FUTURES

By JOHN EDWARDS

ONE LESSON too be learned from the unprecedented boom in gold and other metal markets is the growing influence of futures markets.

Prices have not risen so fast and furiously because of dramatic changes in the supply-demand situation. Indeed, physical-trading in many metals has been reduced to a near standstill because of the uncertainty surrounding prices; no one likes to buy or sell anything if he thinks its value is likely to change radically. The real push behind the recents urge in metal prices has come from the futures markets. These markets are a closed boook too many people in the City and financial world generally, and because of this ignorance there are many misconceptions.

It is not generally appreciated that the futures markets are not supposed to be a source from which supplies of the physical commodity can be bought and sold. The proper function of a futures market is to provide protection against price fluctuations.

Futures are better understood in the United States, where the general public is almost as used to speculating in commodities as in stocks, shares or property.

There now seems little doubt that one reason why the "experts" in gold so misjudged the market was that they did not take into account the new powerful forces unleashed by the introduction of gold futures trading in the US. The gold futures markets — the biggest are in New York and Chicago — were launched in the US at the beginning of 1975 when the ban on private citizens buying gold bullion was lifted. They got off to a quiet start because the US Administration was able to convince the public that gold was not worth buying — it yields no interest or dividends and costs money to store and insure.

However, once the value of the dollar started really to crumble, speculators started to look round for protection and it was realised that the futures market provided a cheap, if risky, way of investing in gold.

Instead of paying out the full amount to purchase gold physically, the speculator in the futures market only has to put up a margin — normally 10 percent — as a commitment to purchase gold for delivery at a date in the future. He usually has no intention of taking delivery; it is a purely "paper" transaction since he will make a matching sale to offset the purchase before the delivery date falls due. But in effect he has obtained an investment in gold for 10 percent of the full cost, while the remaining 90 percent can be earning interest.

This high gearing opens up the purchase of gold — if only on paper for a limited period — to a huge number of speculators who would not normally be able to afford to buy gold physically.

As prices go up and up, so the speculator is easily able to meet any higher margins that might be demanded out of the profits already made. It is a self-feeding process. Profits made are used to make new purchases that drive prices still higher yielding more profits, until the fatal day comes when the bubble bursts and the "paper"-profits vanish in a flood of bankruptcies.

But while the boom continues, it is difficult to control since there is an almost inexhaustible flow of "paper" funds

One answer would be to raise the margins required from 10 percent to as high as 100 percent in which case speculators would either have to pay the full amount, which they would almost certainly not have, or liquidate their positions. But it would be a drastic and unfair step, undermining the whole structure of forward trading. Who, for example, would be prepared to pay outright for a car not due to be delivered for nine months?

GOLD PRICE ABOVE 400 DOLLARS AGAIN

15/10/79 (79)

Financial Editor

AFTER 10 days of consolidation, the gold price has again risen above 400 dollars an ounce, amid mounting evidence that some of the oil-exporting states are planning another oil price increase.

Gold rose to 403 dollars in Hong Kong this morning, up five dollars from the Hong Kong closing price on Saturday and up seven dollars from the closing price in New York and London on Friday.

This is only the third time in the past two weeks that the gold price has been above 400 dollars.

RUMOURS

The first occasion was on October 1 when an an apparent bear squeeze forced the price up to 448 dollars. However, rumours that the United States was planning a 'monster' gold auction caused the price to drop back to just above 380 dollars 10 days ago.

This time, however, the rise in the gold price does not appear to be connected with any bear squeeze, but the increasing prospect that the world is facing another sharp increase in oil prices.

The oil exporting states appear to be aiming at creating another oil shortage and so force consumers to buy in the more expensive spot market.

Officials at the Kuwaiti oil ministry announced at the weekend that the country will cut production by 25 percent but that no specific date has been set. This follows a New York Times report last week that White House officials believed Kuwait would cut production from its present 2,2 million barrels to 1,6 million barrels a day in 1980.

DROP

Another Gulf oil producer, Qatar, reports today that production last month dropped by 17,6 percent to 13,6 million barrels and exports by 2,4 percent to 12,8 million barrels.

Meanwhile, the Iranian oil minister has denied reports that the country's crude oil production has fallen from the normal 4-million barrels to 1-million barrels a day, reports Reuter.

But he confirmed the spot rise of Iranian oil had risen to 40 dollars a barrel, and he believed the official price of 22 dollars a barrel for Iranian oil should be raised.

Peru has announced that it has sold 800 000 barrels of oil on the spot market at 37,55 dollars a barrel. More than 30 companies bid for the oil.

COMMENT

An interesting comment was made at the weekend by Mr Helmut Buddenberg, managing board chairman of BP's German subsidiaries: 'Opec countries no longer seen to be aligning oil production to Western needs,' he said. 'They were also trying to squeeze the large corporations out of the oil business.'

One of the countries hardest hit is energy-poor Japan. Reflecting this situation the yen sank to 229,05 to the dollar today, the lowest for more than a year, in spite of heavy central bank intervention.

Dealers said fears that the trade figures to be announced later today would be bad also affected the currency.

R1 000-M IN SASOL OFFER?

THE Sasol share offer, which closes at noon on Friday, could be subscribed for 30 times, attracting the phenomenal sum of R1 000-million, some Cape Town bankers and investment advisors believe.

Others think a total subscription of around R700-million would be nearer the mark.

Sasol is offering 17,5-million shares to the public at R2 a share. Applications must be for a minimum of 200 shares.

But no matter how much is subscribed for the offer, the banks will be keenly and possibly anxiously seeing how quickly the issuing houses can allocate the shares and refund unsuccessful applications.

For applications to the banks for overdrafts for the Sasol issue have totalled hundreds of millions of rands.

And unless the refund cheques are recieved by October 31 the banks might not meet their month-end statutory requirements and could find themselves in hot water with the Reserve Bank.

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Huge battle for control of gold giant

79

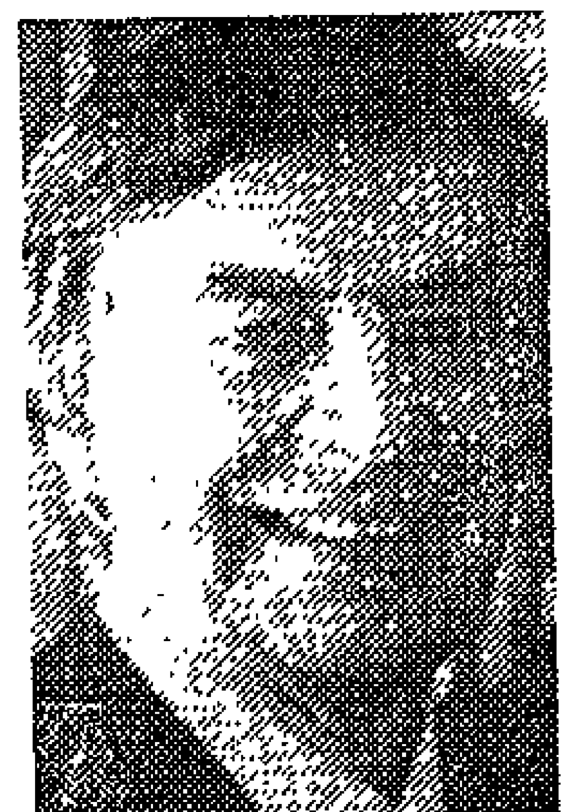
Star 30/10/80

By Colin Campbell, Deputy Financial Editor

A R1 000-m takeover battle for one of the world's largest international gold groups is being fought out on the London and Johannesburg stock exchanges.

The target of the battle is Consolidated Gold Fields, which owns 46 percent of the South African Gold Fields group.

In the past three days almost R166-million had been added to the market worth of Cons Gold on the London stock exchange as the rumours of a massive bid have mounted.



Anton Rupert of Rembrandt

Fred du Plessis of Sanlam

According to London sources South African interests have picked up nearly four million shares in Cons Gold in an attempt to wrest control of Gold Fields of South Africa from foreign to local hands.

The consortium, according to The Star's London financial correspondent, include Dr Anton Rupert's Rembrandt, and Sanlam, headed by Dr Fred du Plessis, and General Mining. However none of the companies was available this morning for a definitive comment.

The Anglo American Corporation is also reported to be in the fight to prevent firm control of the Cons Gold-GFSA axis falling into the hands of a single dominant group.

London sources suggest the international oil giant Shell is also building up an interest.

A spokesman for Consolidated Gold Fields said in Johannesburg this morning: "We have no knowledge of the rumours concerning share purchases.

"As you will appreciate, share deals have to go through transfer offices, and it is days before it is known who the purchasers are."

Any further comment would have to come from London, the spokesman added. The London office told The Star's London bureau: "We have heard

'Good fun'

Gold Fields of South Africa controls some of the country's most important gold mines, including West Driefontein and East Driefontein. In addition, GFSA has important stakes in tin mining in South Africa and in coal.

Gold Fields' parent, Cons Gold, has mining interests in Australia, Canada and the United States.

Stock exchange rumours that Cons Gold is up for a bid caused share price flurries in late 1978, and again in February this year. But in recent weeks stock market interest has again flared up which has excited both London and Johannesburg investors.

Mining specialist James Capel said this morning: "At the moment, it's all good fun — but whether it comes to anything is another matter. If you believe there is substance in the rumours you hold on. If you don't then you sell."

● On the JSE this morning Cons Gold put on another 35c to 820c a share. Yesterday it posted a 55c gain and, over the last week has risen from 725c, suggesting that the market at least believes something is on the go.

234

233

processes is essential; and the divi...

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... procedures for looking at costs,

the conclusions are left largely to intuition, to highly complicated

processes which present more or less clear-cut solutions. For these more

precise methods, most of the value judgements have to ...

in advance.

... increasing expenditure on the first. By simply looking at a breakdown of the budget between programmes, the amounts spent on each may be compared with our intuitive notions of how much 'ought' to be spent on these things. Our judgement will depend on what we consider the benefits of expenditure under each programme to be, a process which cost-benefit analysis seeks to formalise (see below). For example, if it can be shown that expenditure on preventive medicine constitutes approximately 2% of all expenditure on health,[11] it may be felt that the benefits from this kind of provision warrant an increase in the share of the budget allocated to it.

Unfortunately, such intuitive processes can pick out only the grossest incongruities which are recognised by all, whatever criteria of 'value' are used. The optimum level of expenditure on a particular objective is, from the point of view of intuitive judgement, highly uncertain, because of the wide variation in benefits attributable to a particular type of spend-

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Yaws

* Added to test scoring method

79

London steps in

Last week's removal of UK exchange control has given the green light to would-be organisers of a gold futures market in London. Moreover, as a by-product of the removal of exchange control, UK citizens can now buy and sell bullion, though a 15% value added tax on purchases is expected to dim interest in the metal. Investors seem more likely to continue to concentrate more on the traditional gold investment areas of Krugerrands and sovereigns.

Obviously suspecting that a change of heart on exchange control was in the air, the London Metal Exchange (LME) announced in mid-October it was looking into the idea of forming a gold futures market. The Bank of England has traditionally maintained a quasi-regulatory hold over the commodity market by granting the LME special exemption on the controls in return for trading information. Therefore, had exchange controls continued in operation, the banks' attitude would have been critical.

Without the extension of a special exchange scheme to such a market, the latter would never have got off the ground as foreign participation would have been effectively denied. And maybe it is as well that the bank does not hold such power any more. According to governor Gordon Richardson, currently functioning gold futures market in Chicago, New York and elsewhere, may have "reinforced" recent wild price gyrations in the physical metal itself.

In theory the idea behind gold futures markets is that they give the investor in the physical metal itself the opportunity of protecting himself against wild price movements in the physical market. But, of course, the interminable argument rages, to what extent do highly speculative gold futures markets themselves create the wild gyrations which have to be hedged against?

London's attempt at setting up a gold futures terminal is a joint effort between members of the LME itself and the London bullion market comprising Rothschild, Johnson Matthey, Sharps Pixley, Mocatta & Goldsmid and Samuel Montagu. The LME sub-committee looking into the idea has co-opted two members from the bullion market. One advantage in setting up such a market would be that it would stagger the time gap between Hong Kong and US trading centres. Says Ian Foster, the chairman of the LME committee: "It would seem a natural and necessary adjunct to the present trading pattern in gold . . . a European open outcry futures market set in the time zone between the US and Hong Kong."

Some believe the market would also prove extremely competitive to other gold futures terminals, particularly in the US. This is due to London's established reputation as a commodity futures trading centre and also increased surveillance of all US commodity markets by the country's Commodity Futures Trading Commission, which some feel may have already frightened some business away from New York and Chicago into other markets. Some LME sources note that although UK citizens themselves might not pile heavily into such a market, neighbouring France, for instance, has a long tradition of involvement with the metal and that country's citizens could participate heavily in a London futures terminal.

Although the Bank of England no longer has the power to quash the idea, LME members recognise that the plans will have to be well worked out in order to avoid any government interference. One problem is that the LME does not operate on a clearing house basis. In other words no outside party (unlike in London's soft commodity markets such as sugar) is responsible for guaranteeing the performance of contracts struck in the LME ring. The principles to the contracts are themselves only responsible. One fear is therefore, that in the current investment climate, a gold futures contract on the LME might lack the necessary underlying security. However, it is possible that any markets would anyway be a product of the crystallised wisdom of LME and bullion dealers and that therefore some compromise on market supervision may be a possibility.

(79) FM 2/11/79

Back to the gold standard!

The crazy movements on the gold and silver markets during the last few weeks must convince even the most stubborn professional pessimist that gold is equal to eternal currency, and that, no matter how hard anyone tries, it is a fact that cannot be wished or regulated away.

Therefore, the sooner it is realized that the wisdom of 6 000 years is still valid today, the sooner we will have an end to the present unsatisfactory and upsetting monetary chaos.

The abysmal American leadership is about to lead the world into the most devastating World War to date and it is only hoped that the period thereafter will see a return to monetary sanity and, therefore, to economic and political stability.

It is worth examining once again some of the worn-out arguments against a return to the gold standard:

- There is not enough gold around in the world.

False. It all depends on the value of the gold. At $35 per ounce maybe not, but at $1 000 per ounce (or until we have a new monetary system) there is plenty of gold around.

- Monetary officials will never again submit to this kind of monetary discipline.

Primarily the culprits here are the US monetary officials. Well, they will have no alternative, if we want to get out of the present mess. As they say in America: "There are no free lunches." The social absurdity of trying to buy peace and happiness by donating money to the incompetent and lazy must stop.

- This system would benefit South Africa and the Soviets.

So what, a small price to pay for stability. We sell food to our arch enemies anyway, so why the objection?

- Why not platinum or silver or something else?

Everything has been tried and only gold has survived.

- Economic growth would come to a standstill.

Rubbish. When America, England, France, Germany and the rest were on the gold standard, there was peace and quiet and steady growth. Until socialistic attitudes knocked the bottom from under it.

Dirk M Brink, the world-renowned hard currency-man of Deak-Perera, of Hong Kong, makes an impassioned plea for gold.

- But the American dollar does not need gold backing as the US is backed by a formidable economy.

Balderdash. The fate of the US dollar after the stupid decision to cut the golden unbilical cord from it instead of raising the price of gold speaks for itself. Paper money must be exchangeable against something tangible, as paper money is nothing else (or should be nothing else) than a streamlined warehouse receipt.

- The price of gold is too volatile.

False. Gold has been treated as a commodity rather than a monetary base and has acted accordingly. It is the paper dollar that is too volatile.

- The gold standard will break down sooner or later.

Maybe. But since Hong Kong is regularly struck by typhoons, does that mean we should all live in a cave?

- Most economists today oppose a return to the gold standard.

This is like the TV advertisements that claim nine out of ten doctors believe that smoking charcoal de-activated low-tar cigarettes is good for your health. The answer to that question is nine out of ten doctors are absolutely wrong.

- Returning to the gold standard will cause a depression.

Sounds like the argument once used by a noted scientist: an insect built like a bumble bee cannot possibly fly!!

There are many more arguments, of course. But one of the most outstanding financial experts, Dr Donald Kemmerer, points out that it is the American money supply that increased twice as fast as the nation's goods supply and that this has been the primary cause of rising prices. The gold standard restrains the growth of the money supply. He also mentions that returning to sound money bolsters an ailing economy, whilst weak money seriously undermines a strong economy. In the past when people grew tired of price inflation and the theft of their savings it caused, public pressure brought about a return to a precious metal standard.

The US returned to gold in 1789-1792, 1817, 1879 and 1919. Major nations in Europe also did so. When the public becomes disillusioned with inconvertible paper the situation generally requires a return to gold convertibility to restore public confidence, unless we all prefer to live in a totalitarian world.

In conclusion, I would like to quote Cicero (106-43 B.C.), who 2000 years ago correctly diagnosed the ills of a doomed civilization.

"The budget should be balanced. The treasury should be refilled. Public debt should be reduced. The arrogance of officials should be tempered and controlled, and assistance to foreign lands should be curtailed lest we become bankrupt. The people should be forced to work and not depend on the government for subsistence."

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DISCOUNTING

Gold barred

FM 2/11/79

A bare 24 hours after its beginning, the "greatest Johannesburg gold rush since 1886" — to quote discount king Tony Factor — came to an abrupt halt.

The gold and diamond squad, investigating a possible contravention of the Gold Act visited Factor's Johannesburg Intown discount centre, leaving with one 18 carat ingot for analysis.

Factor claims that his "Original Factor's Gold Bars" contain an ounce of gold and 0,25 oz of silver and zinc alloy, and he was confident that this mix would be sufficient to have the ingots classified as jewellery, and thereby get around provisions preventing the sale of unwrought gold.

Koos Groenewald, director of the SA Mint points to the definition of unwrought precious metals contained in the Act, and feels Factor could have erred in its interpretation. The definition includes any precious metal "in the form of bars, ingots . . . any article consisting of or containing precious metal which . . . is not a work of art."

Factor's ingot would seem to fall within this category, although he reponds. "They are works of art. I designed them myself."

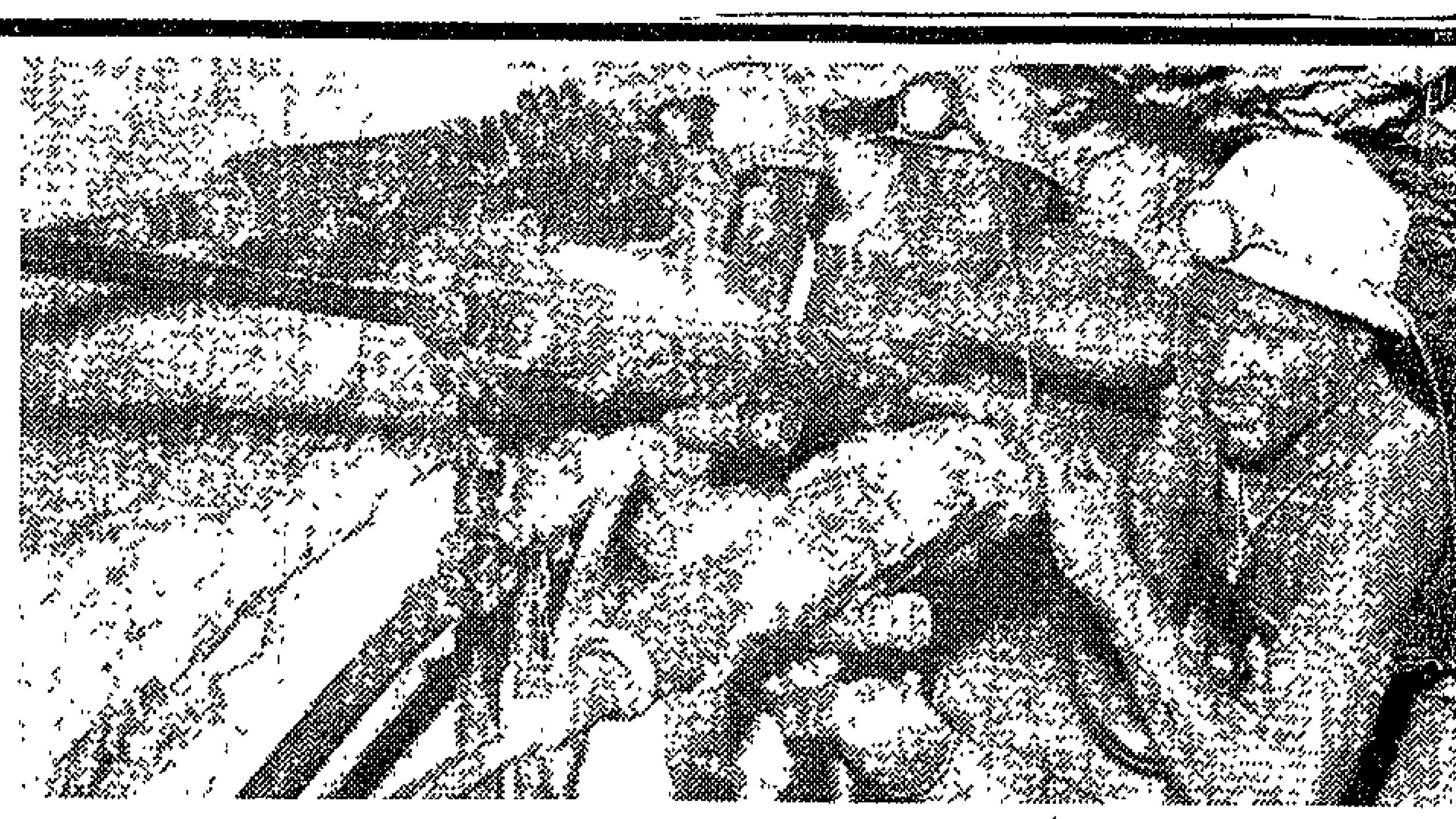
Factor, who "always dreamed of discounting gold," planned to sell at a cut below each day's bullion price fixing in London. Business got off to a brisk start on Monday when he was selling at R293,43 oz (morning fixing R310,53), an effective 4% discount before GST. Although he hoped to sell 900 oz, he told the *FM* he took orders for 114 ozs.

If, as Factor claims, he started buying gold (through a jeweller's licence) "nine or ten months ago" when the price was hovering around the R210 oz mark, his profits for the day could be in the region of R5 000, and that after adding 20% gold jewellery excise duty.

That aside, Factor has earned a lot of free coverage in the press, something he probably set out to achieve in the first instance. What puzzles him is that the gold squad "called on the first day, and went away happy." Although he can't substantiate it, his feeling is that someone in the jewellery trade put the pressure on to get his sales stopped.

Errol Fyfe, Jewellery Council director says: "We were expecting some action," but won't elaborate. He maintains the

Gold retailing . . . good publicity for Factor



Pressing on to a boom climate

Gold ready to rocket again

S. Times 11/11/79

79

By JOHN SPIRA

THE GOLD price is poised for another major upward drive which could carry it well above its $437 all-time high of October 2.'

This is the view of the majority of leading bullion experts (both in South Africa and abroad) canvassed by Business Times this week.

They believe the trigger for the pending rise has already been activated and that the first stirrings of a massive buying spree are beginning to materialise.

A further steep climb in the gold price can only be good news for the South African economy, dramatically improving the climate for the boom conditions expected to gather momentum next year (see story main paper).

Major factors contributing to the build-up in demand are given as:

- A potential political explosion in Iran — third largest supplier of oil to the West. Unsettled conditions in Iran could, moreover, spill over into other Middle Eastern oil producers.
- The growing conviction that President Carter will decide against fighting the US election on a tight monetary and economic policy. This implies more inflation and a further evaporation of dollar confidence.

Allied to this belief is the prediction that the US will continue to inflate its way out of mounting economic and financial problems in the hope that the rest of the world will play along to avoid the alternative of widespread recession.

One analyst feels that American efforts to bolster the dollar will be frustrated because, with some $800-billion floating about the world, other nations are becoming increasingly unwilling to add to their dollar holdings.

And even should the US, Europe and Japan adopt a policy of strong monetary discipline, such a move would lead to the reactivation of gold in the international monetary system as a sheet anchor during a period in which the world would have to cope with extreme stresses and strains.

- The IMF is being strongly tipped to end its gold auctions in May next year, when the authorised sales and restitution of gold to members will have been completed.
- The new US policy of changing from monthly auctions of defined quantities of gold to irregular auctions of unspecified quantities at short notice (the so-called "wild card" auctions) appears to have failed in its objectives.

The first of such offerings fell lamentably short of putting the skids under the gold price. It had, in fact, the converse effect.

- The IMF has failed to reach agreement on the dollar substitution package based on the issue of additional SDRs.
- Russian gold sales this year have been running at an annual rate of 200 to 300 tons compared with the more normal 400 tons in recent years. The rising bullion price has apparently reduced the Soviet Union's need to sell as much as it did in the past.

Whatever the reason for the reduced Russian sales volume, it has been a significant factor in aggravating the supply/demand imbalance.

● To Back Page

Gold set to rocket again

● From Page 1

- Demand for small gold bars from the Far East is a rapidly growing force in the market — a reflection of unstable conditions in that area.
- Additional and substantial oil price hikes are in the offing.
- The latest oil price hikes could cause gross revenues of oil producing countries to increase from $60-billion in 1978 to $184-billion in 1980, reports NEIL BEHRMANN from London.

This estimate by Dr Hans Mast, economic advisor of Credit Suisse, contains extremely bullish implications for the bullion market.

A Swiss bullion manager comments: "One client was prepared to bid for the entire 444 000 ounces offered by the IMF, when prices were around $370."

This statement highlights the high level of further potential demand for bullion.

The difference between gold fabrication demand and supply is some 400 to 500 tons (a current value differential of $6-billion). This accounts for a mere 3% of total oil revenues.

With 444 000 ounces costing $170-million, the cost to some buyers of totally absorbing an IMF auction is peanuts, considering the dollars piling up in the Swiss banking accounts of the sheiks and other oil beneficiaries.

Given this scenario, some bankers say the gold price could rise to $500 next year "with ease."

- Instability in South-East Asia is also contributing to the growing demand for gold.
- Technical analysts are taking a highly bullish stance on bullion, with some projecting a price of close to $500 by the end of 1979.

A leading Johannesburg gold analyst, who has just returned from an extended visit abroad, sums up the outlook for gold as follows:

"The behaviour of gold in the year ahead will depend essentially on US economic policies and developments on the oil front.

"In the event of a further price setback, resistance around the $350 mark would not be unexpected, and it is improbable that the price would fall below the $300 to $325 range — a level at which most of our leading gold mines would continue to give a good return.

"But if President Carter should show signs of opting for a reflationary policy, or Senator Kennedy (with his liberal economic ideas) looks like becoming a front runner at a time when oil prices are high, my recent discussions indicate that a rise in the gold price to the $450 to $500 range would be quite possible.

"On a two-to-three-year view, I would say that the consensus is that the gold price will be substantially higher than its recent peak.

"While there may have been some limited profit-taking in certain accounts where the value of the gold element had risen unduly following the recent sharp price rises, my impression was that gold will continue to form an important part of most of the investments controlled by the Swiss banks during the next two to three years."

Those taking a more pessimistic view of gold's future believe President Carter will opt to support the Volcker package in its entirety — in which case they expect inflation in the US to taper off as a recession of marked proportions begins to bite.

The tendency would then be for the dollar to strengthen in foreign exchange markets, probably in terms of gold as well as currencies, leading to quieter conditions in bullion markets and a setback in the gold price.

(*b*) the allotment or issue of capitalizatio
subsidiary.

(4) Subsections (1) and (3) shall, subject to
company which is a subsidiary as if references in
included references to such a nominee.

(5) In relation to a company limited by gu
reference in this section to shares of a company, sh
to the interest of its members as such, whatever t

40. No division into interests, rights to profits the case of a company limited by guarantee, every
or in any resolution of the company purporting
in the divisible profits of the company otherwise t

(2) Any provision in the memorandum or
pany limited by guarantee, purporting to divide th
or interests shall be void.

Names of Com

41. Names of companies not to be undesirabl for a company to be incorporated shall be registe
name is undesirable.

42. Reservation of name.—(1) The Registra
prescribed form and on payment of the prescribe
or a literal translation into the other official langu
pany or a shortened form of the name of a compa
randum or a change of name by a company or re

(2) Such reservation shall be for a period no
period, not exceeding in all three months, as the R
fee, may in the special circumstances of any case

43. Registration of translation and shortened f memorandum of any company to be incorporate
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GOLD AND SILVER

Fair or foul?

FM 15/11/79

The marketing of SA's gold and silver exports is under fire from some of the world's leading precious metal experts.

Up to about three years ago, the Reserve Bank sold bullion only to a select band of three Swiss banks and five London gold dealers. Since then, however, a number of favoured European banks, particularly Deutsche Bank, and Dresdner Bank, and US gold traders, such as J Aron, Republic National Bank, and Philipp Bros, have also become direct buyers of SA bullion.

At present some 70%-75% of our gold goes to the Zurich pool, around 10% to London, some 9% to the German banks, and small quantities to other countries.

Some non-Swiss traders argue that unfair preference is still shown to the Zurich banks. One claims that other buyers offer the Reserve Bank higher prices, but are sometimes turned away.

Though one dealer says "we are quite happy with our share and are paying market prices," another reckons he regularly bids 10c-20c per oz more than the Swiss — but they end up with the gold. He estimates that in this way the Reserve Bank has lost up to $20 000 on some deals.

Minister of Finance Owen Horwood tells the *FM* that "SA gets the best prices for its gold and no unfair favouritism is shown towards any buyer." Some experts point out that, to ensure the future friendship of long-standing customers, it may not be advisable to accept the highest bids.

Claims that the Reserve Bank does not sell SA's gold in the most profitable or efficient way are hardly new. It has often been suggested that the Chamber of Mines should have a greater say in the disposal of its members' production. It is untrue, however, that the Chamber has made any representation to the authorities to take over bullion sales — although others have.

Cynics can be excused for wondering how much more wedded to free market principles the Chamber would be than Church Square. They point to the marketing of SA's silver output, which totals close to 80 t a year.

About 40% of this is handled by Anglo American, the largest producer, and the rest is channelled through the Chamber of Mines. Apart from sales on the local market, the Chamber sells almost exclusively abroad to five London brokers in turn, in lots of about 2 t a time. (Very small quantities have been sent to New York on an experimental basis.)

Though the Chamber has an assured market in London and has been dealing with some of the brokers for almost 60 years, at least one other hopeful customer reckons it shows no sign of wanting to diversify its markets.

The Chamber says that special market circumstances have made it profitable to concentrate sales through London, but that it is willing to sell silver to any other purchaser if the price is right.

44. Change of name and effect thereof.—(1) (*a*) Any company may by special resolution change its name to a name which is not, in the opinion of the Registrar, undesirable.

(*b*) Where a company changes its name, it shall at the same time, if the translation or shortened form of the name of the company has been registered under section 43 (1), and such translation or shortened form is no longer applicable to the name of the company as changed, apply on the prescribed form and on payment of the prescribed fee—

DEPARTMENT OF FINANCE

No. 2535 16 November 1979

SOUTH AFRICAN RESERVE BANK ACT, 1944

DETERMINATION OF STATUTORY PRICE IN GOLD

It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 31 October 1979, all gold of the South African Reserve Bank at R283,33 per fine ounce of gold.

No. 2534 16 November 1979

Statement of receipts into and transfers from the Exchequer Account for the period 1 April 1979 to 31 October 1979.

Treasury, Pretoria.

DEPARTEMENT VAN FINANSIES

No. 2535 16 November 1979

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekendgemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 31 Oktober 1979 teen R283,33 per ons suiwer goud gewaardeer het.

No. 2534 16 November 1979

Staat van ontvangste in en oordragte uit die Skatkisrekening vir die tydperk 1 April 1979 tot 31 Oktober 1979.

Tesourie, Pretoria.

RECEIPTS—ONTVANGSTE

Head of Revenue	Inkomstehoof	Month of October / Maand Oktober 1979	Month of October / Maand Oktober 1978	Total 1 April to 31 October / Totaal 1 April tot 31 Oktober 1979	Total 1 April to 31 October / Totaal 1 April tot 31 Oktober 1978
		R	R	R	R
Exchequer Balnace, March 1979	Skatkissaldo, 31 Maart 1979	—	—	113 377 737	—
Exchequer Balance, 30 September 1979	Skatkissaldo, 30 September 1979	316 998 730	—	—	—
State Revenue Account	*Staatsinkomsterekening*				
Customs and Excise	Doeane en Aksyns	50 118 654	82 491 458	606 714 508	828 411 297
Inland Revenue	Binnelandse Inkomste	577 268 786	448 871 259	4 461 164 949	3 305 783 841
	R	627 387 440	531 362 717	5 067 879 457	4 134 195 138
State Oil Fund	Staatsoliefonds	19 000 000	21 343 899	148 200 304	157 336 103
National Road Fund	Nasionale Padfonds	9 005 570	11 498 668	73 483 887	86 713 280
South African Development Trust Fund	Suid-Afrikaanse Ontwikkelingstrustfonds	789 000	435 000	4 887 056	5 677 808
Account for Black Transport Services	Rekening vir Swart Vervoerdienste	1 127 164	1 203 154	6 394 084	5 959 891
Sorghum Beer Research Fund	Fonds vir Sorghumbiernavorsing	—	148 952	914 763	338 251
SWA Territorial Revenue Fund—Sales Duty	SWA Gebiedsinkomstefonds—Verkoopreg	—	358 918	27 768	4 442 944
	R	657 309 174	566 351 308	5 301 787 319	4 394 663 415
Other Receipts	*Ander Ontvangste*				
Treasury Bills: *Internal*	Skatkisbiljette: *Binnelands*	836 741 000	—	3 975 790 000	—
Loan Levy 1979/80	Leningsheffing 1979/80	24 000 000	—	244 000 000	—
Internal Stock, Bonds and Loans Raised—	Binnelandse Effekte, Obligasies en Lenings Opgeneem—				
Five Year Non-Resident Bonds	Vyfjaarobligasies vir Nie-inwoners	—	—	3 430 600	—
7 Per Cent Treasury Bonds	7 Persent Tesourie-obligasies	19 201 800	—	105 913 200	—
6 Per Cent Security Rand Bonds	6 Persent Effekterandobligasies	—	—	750 000	—
Defence Bonus Bonds	Verdedigingsbonusobligasies	13 502 140	—	78 180 735	—
Third Series National Defence Bonds	Derde Reeks Nasionale Verdedigingsobligasies	—	—	128 091 450	—
8 Per Cent Treasury Bonds	8 Persent Tesourie-obligasies	—	—	Dr. 24 000	—
8 Per Cent National Defence Bonds	8 Persent Nasionale Verdedigingsobligasies	26 506 450	—	34 980 200	—
Internal Registered Stock—	Binnelandse Geregistreerde Effekte—				
9 Per Cent, 2004	9 Persent, 2004	—	—	123 141 000	—
6 Per Cent, 1981	6 Persent, 1981	—	—	80 000 000	—
7 Per Cent, 1985	7 Persent, 1985	—	—	20 000 000	—
9,25 Per Cent, 2004	9,25 Persent, 2004	202 658 500	—	354 588 500	—
6,25 Per Cent, 1982	6,25 Persent, 1982	—	—	261 353 500	—
9,375 Per Cent, 2004	9,375 Persent, 2004	—	—	369 838 400	—
5,875 Per Cent, 1982	5,875 Persent, 1982	30 000 000	—	30 000 000	—
5,50 Per Cent, 1982	5,50 Persent, 1982	50 000 000	—	50 000 000	—
Foreign Loans and Credits Raised—	Buitelandse Lenings en Kredite Opgeneem—				
1978	1978	—	—	126 796 281	—
1979/84	1979/84	—	—	444 895	—
1979/84	1979/84	—	—	50 885 406	—
1981/86	1981/86	—	—	502 020	—
1982/84	1982/84	—	—	12 468 828	—
1978	1978	—	—	39 442 545	—
Surrenders, *State Revenue Account* 1978/79	Terugstortings, *Staatsinkomsterekening* 1978/79	17 208 437	—	83 544 508	—
Surrenders, *State Revenue Account* 1978/79	Terugstortings, *Staatsinkomsterekening* 1977/78	—	—	342	—
Surrenders, Statutory Amounts 1977/78	Terugstortings, Statutêre Bedrae 1978/79	46 000	—	48 744	—
	R	1 877 173 501	—	11 475 954 473	—
South-West Africa Account	*Suidwes-Afrikarekening*				
Customs and Excise	Doeane en Aksyns	3 000 000	3 500 000	23 000 000	25 000 000
Inland Revenue	Binnelandse Inkomste	11 325 783	5 947 495	158 310 813	138 609 198
	R	14 325 783	9 447 495	181 310 813	163 609 198
South-W[illegible] Africa Territorial Revenue Fund ([illegible]'s Tax)	Suidwes-Afrika Gebiedsinkomstefonds (Mpye -belasting)	—	—	1 239 673	1 001 634
South-W[illegible] Finance Corporation Ltd.	South-West Finance Corporation Ltd.	—	—	—	—
	R	14 325 783	9 447 495	182 550 486	164 610 832
Loan Levy 1979/80	Leningsheffing 1979/80	—	—	14 000 000	—
Surrenders, SWA Votes, 1978/79	Terugstortings, SWA Begrotingsposte, 1978/79	476 403	—	5 877 794	—
Surrenders, SWA Statutory Amounts, 1978/79	Terugstortings, SWA Statutêre Bedrae, 1978/79	2 628	—	12 952	—
	R	14 804 814	—	202 441 232	—
Total (State Revenue and South-West Africa Accounts)	Totaal (Staatsinkomste- en Suidwes-Afrikarekening) R	1 891 978 315	—	11 678 395 705	—
Total (including Opening Balance)	Totaal (insluitende Aanvangssaldo) R	2 208 977 045	—	11 791 773 442	—

The Star, Tuesday December 4 1979

Star

War threats put gold on $500 trail

79

oilfields; Switzerland lifted its restrictions on foreign investment in Swiss francs; Iran said it has started to select American hostages for trial; the Shah was no closer to finding a new refuge.

"The doors to war in the Middle East, it seems, are opening wide," a Frankfurt forex dealer said.

The US dollar hit an historic low against the German mark, and was quoted lower against all other major currencies.

With so much confusion and uncertainty reigning investors world wide rushed for gold. And as gold rose strongly so did the prices of a host of other hedge items. Silver, platinum and copper all moved strongly ahead.

London stockbrokers Strauss Turnbull yesterday issued a very positive report on gold shares — a report which was drawn up before the latest developments in world arenas developed.

Other London brokers spoke of the strong possibility that gold could well hit the 500 dollars an ounce mark.

RUMOURS

On the JSE today, gold shares moved ahead in fairly small trading, but on a broad front.

Just where gold goes from here is the 64 000 dollar question. But analysts suggest that until there is some resolution to the world's worries, until inflation is licked, and until the heat is taken out of the fluid Mid-East situation, the gold price has nowhere to go but up.

The strong rise yesterday was particularly significant in view of fresh rumours of yet another US gold auction.

Gold bars on sale

The Star Bureau

LONDON — Small gold bars went on sale to the public in Britain yesterday at all branches of Standard Chartered Bank.

The UK branches of the bank are the first to offer such a service for the smaller gold investor since the abolition in October of restrictions on the private holding of bullion.

Until now the main source of small gold bars in Britain has been the retail arm of bullion dealers, Johnson Matthey.

The bars which went on sale yesterday are manufactured by Standard Chartered subsidiary, Mocatta and Goldsmid. They are available in weights of 5, 10, 20 and 50 grams of 24 carat gold.

The price is to be set daily at a small premium over the current market price and Value Added (sales) Tax will be added at 15 percent.

Gold hits $428,75

RSM 4/12/79

79

Staff Reporter

GOLD raced up to $428,75 in London yesterday — with the closing range at $430,50-$431,50. The dollar tumbled on the continuing Iran crisis and the new threat to United States oil supplies from Libya.

The morning gold fixing was $428 compared with Friday's second fixing of $415,65. It rose a further 75c in the afternoon.

● See Page 16

Gold rises to $428,75 as dollar falls

79

RDM 4/12/79

GOLD raced up to $428,75 in London yesterday — with the closing range at $430,50/$431,50 — and the dollar took a tumble on the continuing Iran crisis and the new threat to US oil supplies from Libya.

The morning gold fixing was $428 compared with Friday's second fixing of $415,65.

It rose a further 75c in the afternoon.

The dollar was sharply lower in Europe yesterday as dealers said the foreign exchanges were preoccupied by tension in the Middle East over the crisis between Iran and the United States.

This was in marked contrast to the general calm that the market had been showing in handling the dollar (See page 19) until Libya added its unwelcome intervention.

"Economic factors are being totally ignored," commented a Frankfurt dealer yesterday.

Another trader in the West German financial centre added: "We don't know what's going on.

"We don't know what the politicians are planning behind closed doors "But the doors to war in the Mideast, it seems, are opening wide."

In Johannesburg the rand closed higher against the dollar at $1,2070/80 compared with the previous close at $1,2060/70 and against an opening of $1,2055/65, dealers said

They said spot trading was hectic with the market opening fairly long and remaining long throughout the day, but towards the close most banks' positions were balanced.

Forward trading was dull, dealers said.

The Reserve Bank indicated rand/dollar spot rate firmed during the day.

Shortly after midday the rate moved upwards to $1,2060/80 from an opening of $1,2054/74 and later in the day to $1,2066/86.

The forward dollar discount rate was maintained at 2,5%.

Other closing rates were: Sterling £100 equals R183,25/40, marks 2,0640/55, Swiss francs 1,8940/60, Dutch florin 2,2920/40, French franc 4,8515/65 and yen 300,35/50.

The price of gold, an investor's traditional hedge and very present help in time of trouble, jumped more than $15 in London and $12 in Zurich.

The dollar hit a historic low against the German mark.

In early trading the US currency brought 1,7135 marks, a full pfennig below the previous low fixing price set on October 30, 1978.

Traders cited the crisis over the seizure of the US embassy in Teheran by militant Moslems on November 4 and the continued detention of American hostages.

They also pointed to weekend violence against the US embassy in Tripoli, Libya, and the bombing of a branch of Morgan Guaranty in Frankfurt as adding to the climate of uncertainty.

"The whole market is holding its breath waiting to see where the Shah ends up," one Zurich dealer said.

"The record low is certainly a result of the events in the Middle East and the new twist to the affair through the attack in Libya," one Frankfurt banker said.

He said the dollars decline would continue as long as the Iranian crisis lasted and that it would be "stupid for the Americans to hike interest rates to make the dollar more attractive".

In Tokyo, the dollar failed to maintain the improvement made against the Japanese yen on Friday and closed weaker at 248,90 against 249,60.

The dollar fell heavily in Zurich, opening at 1,5795 Swiss francs after 1,6005 and slipped in Paris to 4,0325 French francs from 4.0675.

In London, the pound maintained its surge from the end of last week, rising to open at $2,2075 after the weekend close of $2,1995.

"The burning of the US embassy in Libya sparked off fresh waves of selling though the dollar later appeared to steady a little," a dealer for Barclays Bank International said.

To complete the bleak picture, the dollar opened down in Milan at 812.50 lire after Friday's closing price of 815.00. — Sapa-Reuter-AP-UPI.

RDM 5/12/79

Gold marches on as dollar rallies

(79)

LONDON. — The gold price advanced and the dollar rallied yesterday. Gold was fixed in London at $431,20 in the afternoon and at $435 in the morning. Monday's second fixing was $428,75.

Consistent speculative buying in the free platinum market took the price at the morning fix to its highest since Octobrer 10 at $560.

Dealers said the surge of speculative activity in precious metals manifested by rises to high prices on Monday in gold and silver continued to boost platinum.

Dealers cited the Middle East unrest with consequent weakness of the dollar as the main factors behind the gains.

Dealers said the gold market was active, with the generally firmer prices a follow-through of Monday's rise.

There was no news to dampen the firmer trend, but the price settled back from the day's early high of $437/$438,50 because of the recovery of the dollar against major currencies.

Gold rose $7,91 in Hong Kong to $433,43 from Monday's $425,52.

A dealer for bullion brokers Sharps Pixley said in London that speculators were still keen on gold in spite of the dollar's mild recovery.

The dollar halted its decline against the mark opening at 1,7085 marks against the overnight all-time low of 1,7068, but one source said the dollar's underlying tone remained weak.

The Bundesbank did not intervene yesterday.

Other sources attributed its continuing problems to the anti-American feeling sweeping the Middle East and a reported remark by the Saudi Arabian Oil Minister, Sheik Yamani, that oil-producing countries were considering billing crude in other currencies than the dollar.

But the dollar made early marginal gains in Zurich, Milan and London.

It slipped further against the yen in Tokyo to close at 247,70 yen after 248,90.

The dollar also edged down marginally in early trading in Amsterdam, opening at 1,8990 guilders from 1,8995, and in Brussels, where it started trading at 28,4550 Belgian francs from 28,475.

Dealers attributed the higher dollar fix to short-covering and profit-taking. The dollar perked up once the market saw it was not dropping beneath the psychological 1,70-mark barrier, one dealer said.

The dollar has been weakened by the high price of gold, market disappointment at falling US interest rates and the situation in Iran.

In London, the dollar extended the firmer trend seen at the opening and by mid-session had more than recouped Monday's losses against most of the major currencies.

Its sharp rise contrasted with its steep decline on Monday when it was thought to have been oversold.

There was no indication of any central bank support.

Financial Mail

F.M. 7/12/79

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GOLD

Through a glass darkly

"I'm more bullish on gold than I've ever been." "It's too high and will collapse once speculative buying dries up." "The price is simply a measure)f the world's anxiety coefficient." 'Do you want a short-term projection ır are your more interested in a long-'r-term view on this afternoon's Lon-lon fix?"

Those remarks by gold watchers around he world sum up current conflicts over ;old. But essentially the bulls are more ullish than ever, while the cautious are ncreasingly hedging their positions.

So where is gold headed?

At least for the next three months or so, t is difficult to be anything but bullish. There are too many factors working ıgainst dollar confidence, while the inter-ıational economic problems which have to ›e resolved before bullion markets ıchieve some semblance of order, cannot ›e resolved soon.

For most of 1979, the major factor ıolstering gold was the oil crisis. Fears of vhat higher oil prices would do to the ndustrialised world's inflation rates fired ›recautionary diversifications out of cur-encies. Oil remains, of course, a major actor. But the world has learned to live vith Opec price hikes, and the outcome of he December 17 Opec oil ministers meeting in Caracas is probably viewed with a fair amount of equanimity.

Oil remains central to the gold debate, but more in terms of the possibility of US and, perhaps, Russian intervention in the Middle East. If that happens, all bets on what happens to bullion are off — it will head for the stratosphere. It is not beyond the bounds of possibility, though, that major and minor Middle Eastern oil producers would welcome a stabilising intervention by the US in the region with the tacit approval of Moscow. The USSR, with its growing Islamic population, can hardly view the prospect of a militant Islam threatening the Kremlin's control of its minority populations with much relish.

The Soviets are probably sufficiently mature in their perception of their world position to realise that only through co-operation with the West can they hope to develop their own sphere of influence. So, if the US does establish a military presence in the Gulf, it is a fairly safe bet that it will have been done after receiving the nod from Moscow. If so, any sharp gold price advance on announcement of war could be a mere flash in the pan. Once the initial scare has passed and stability is achieved, gold could quickly react to more sensible levels.

However, there are other problems which increasingly threaten confidence in currencies and the West's banking system. The US warning that it would freeze the Iranian central bank's deposits if Iran tried to withdraw its funds from New York has thrown into question the basis of world banking. If the US government assumes that it can freeze Iranian deposits with US banks outside the US, control and support of the world's commercial banks becomes dubious.

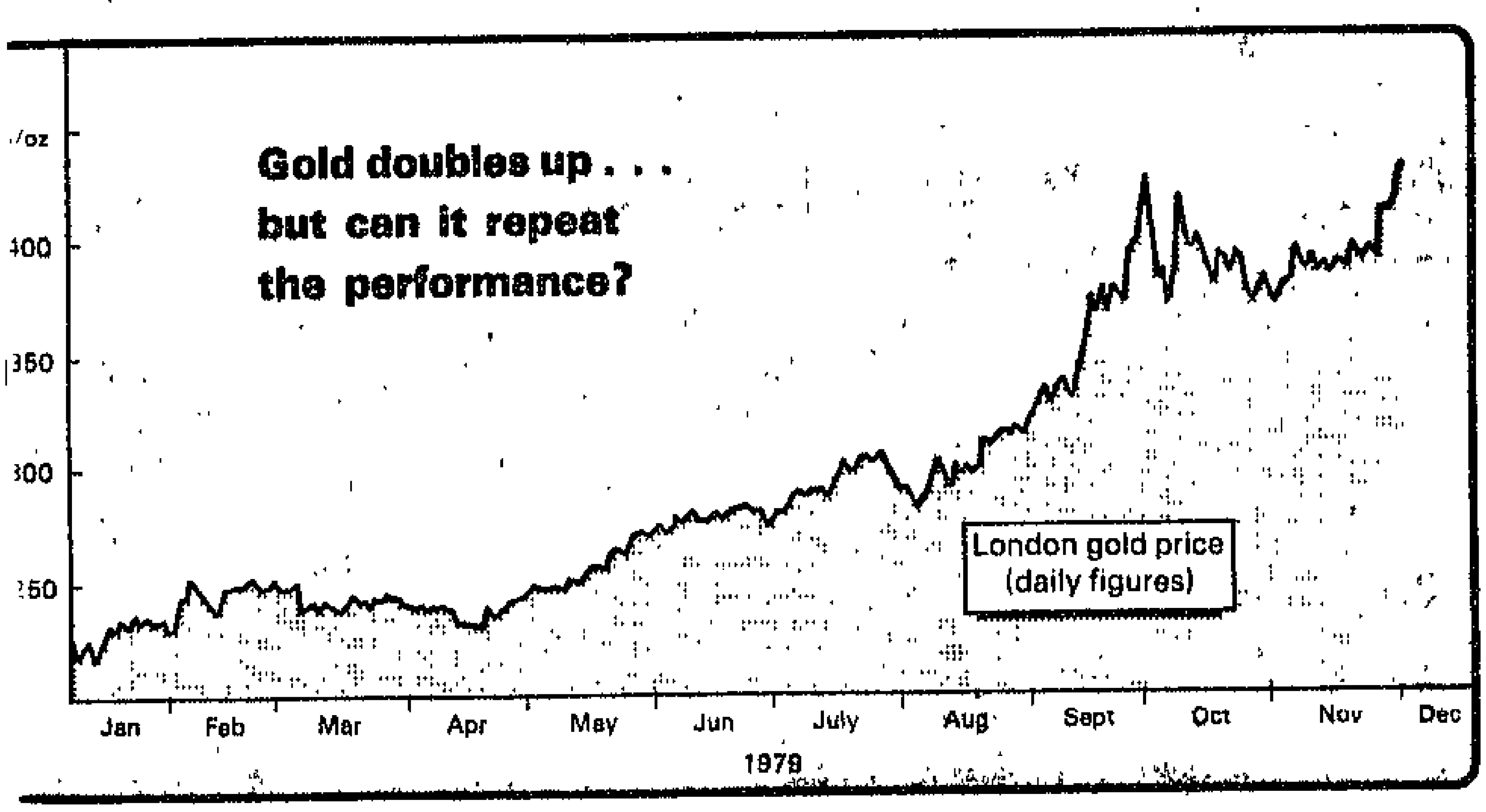
Because of the US reaction, there is growing confusion about who really controls the assets of foreign operating commercial banks. Accompanying that is a growing fear that central banks may in a time of crisis cease to be lenders of last resort to shaky commercial banks. That being the case, lack of confidence in the banking system could have an irreversible destabilising effect on currencies.

Most likely is that, when tempers have cooled, the US will declare its confidence in the dollar and let whomever wants to withdraw his US deposits do so — of course with the proviso that international debt obligations are honoured. It is all very well for Iran to pull its deposits out of the US. But, if it places them elsewhere, the international banking system would recycle them back across the Atlantic one way or another.

Confirmed gold bugs argue with justification that the narrowness of the gold market is such that Middle Eastern demand for bullion rather than dollar deposits could drive the gold price out of sight. And the market shows all signs of narrowing further during the next few months.

The next phase of IMF sales has to be approved by member countries early next year. And it is doubtful if blanket approval for sales will be granted on the existing basis. However, that could be offset by increased US Treasury sales if too high a gold price is seen as contributing to a further weakening of the dollar.

Underlying, though not underpinning, gold's near-term price levels is the metal's normal strength during January and February. It may be masked by "anxiety coefficient" factors, but it is there nonetheless.



(iv) Proportional Mortality, accounted for by specific conditions.

(v) Expectation of Life. This was calculated both at birth (e_o) and at 45 years of age (e_{45}) for both males and females. It expresses the average number of additional years an individual would be expected to live beyond birth and 45 years.

For Africans, the proportional mortality was the only index calculated.

RESULTS

The infant mortality rates (IMR) and standardised mortality rates (SMR) for whites and 'coloureds' are provided in Fig. 2 and Fig. 3. Whilst the whites have experienced a steady decline in both of these indices since 1929, the 'coloureds' after an initial decrease, show a comparatively ...ince 1950 and an increase in their SMR since 1960.

...1970, the white IMR has fallen from 50,9/1 000 to 21/1 000, ... of 57,6%. During this period, the 'coloured' IMR has ... 164,8/1 000 to 132,6/1 000, a change of only 19,7%. ...ticular concern when it is appreciated that the greater the ...easily should improvements be accomplished. The decrease ... 1941 and 1970 were 28,4% and 25,7% for whites and ...ectively.

The age specific mortality rates are summarised in Fig. 4. Since death is inevitable, it is to be expected that decreases in the mortality experience of younger age groups will give rise to a corresponding increase in mortality amongst elderly persons. Thus, although it is to be expected that for both whites and 'coloureds' the mortality rates for persons over the age of 65 years have shown a rising trend, it is of some concern that the mortality rates have also increased between 1960 and 1970 for 'coloureds' in the 25-44 and 45-64 years age groups.

The imbalance between the age specific mortality rates of whites and 'coloureds' has improved or remained constant for persons between the ages of 5 and 64. However, for children less than 5 years of age, the gap between whites and 'coloureds' is widening. In 1941, white children under one year old experienced 28,0% of the mortality of 'coloured' children;

by 1970, this figure had decreased to 15,7%, indicating that the whites had improved disproportionately to the 'coloureds'. Similarly, for children 1 to 4 years of age, during the period 1941 to 1970, the white mortality experience as a percentage of the 'coloureds' had decreased from 15,2% to 7,1%. It should be noted that the 0 year age specific death rates are higher than the corresponding IMRs. This is because the denominator for the former is the number of live births whilst for the latter it is the mid-year populations under one year of age.

Fig. 4 provides an indication of the proportional contribution of selected causes of death to the overall mortality experience of the white, 'coloured' and African communities.

During the period 1929 to 1970, the whites have shown a changing spectrum of mortality which is classically associated with an improving health status. Infectious diseases have become less important and the major causes of death are increasingly related to ... experiences. This becomes apparent from Table II which provides a more detailed analysis of the different diseases contributing to the overall mortality of the whites and 'coloureds' in the form of cause specific mortality rates for defined age groups. Thus, although cardiovascular diseases are consistently responsible for a fairly small proportion of the overall mortality of the 'coloureds', Table I indicates that the actual rates for cardiovascular diseases have been fairly similar for both whites and 'coloureds' since 1941.

Clearly, the broad diagnostic categories used in this analysis conceal a certain amount of information. However, because of the changes in disease classification which have taken place since 1929, it is not possible to examine the temporal changes of mortality rates in greater detail. Disease categories with rates greater than 5/1 000 appear in italics in Table II. It will be noted that the mortality experiences of the 'coloureds'

Rampage as gold hits $445,50

RDM 12/12/79

(79)

Mining Editor

THE gold price soared to a record $445,50 an ounce at yesterday afternoon's London fixing amid fears of yet another oil price hike next week and growing Middle East unrest.

Bullion dealers in London and Zurich, describing the market as being on the rampage, have suggested that the price is now on its way to $500.

The previous record of $437 an ounce, set on October 2 during a dollar crisis, was broken in the morning and at one stage the price moved as high as $447.

Platinum and silver also rocketed to new peaks of $560 and 908,05p an ounce respectively.

The average gold price for the year to date is $299,54.

The immediate impetus for the latest surge in gold and precious metals was the announcement that Saudi Arabia would increase its oil price from $18 to $23 a barrel.

Similar rises are expected to be announced by other members of the Organisation of Petroleum Exporting Countries (Opec) at their meeting in Caracas next week.

See Page 18

Gold soars as oil fears rise

RDM 12/12/79 (79)

LONDON. — The gold price soared to record levels yesterday amid new fears of the effects of what could be crushing oil-price increases. It was fixed in London at $445,50 in the afternoon and at $442,75 in the morning. Monday's second fixing was $431,15.

Gold continued its gains in the late afternoon to close around the day's highs at $447/$448.

Dealers said gold attracted late demand, particularly from the US.

Platinum and silver prices surged, platinum hitting $560 and spot silver 908,05p. Three months silver was $935,55p.

The gold price hit a record $446 in Zurich. The previous high for gold in Zurich was $444 on October 2 amid a crisis of confidence over the dollar.

Gold futures opened sharply higher on the International Monetary Market and the New York Commodity Exchange.

IMM prices opened $6,30 to $10,80 higher, setting new highs in some months, and Comex prices were up about $10.

Dealers said the gold price was boosted by Iranian plans to cut oil production next year, plus reports of current output shortfalls, the expectation that the oil producers would raise prices next week and a weaker dolar.

Gold's previous record fix in London was $437 an ounce on October 2.

Dealers on the bullion market said expectations of oil-price increases next week by the Organisation of Petroleum Exporting Countries at their oil ministers' meeting in Caracas and the unstable Middle East situation were attracting gold buyers.

It traded as high as $447 briefly yesterday morning.

The weaker dollar contributed to the rise, but was not a principal factor, according to some dealers.

The dollar sank against most major currencies, and sterling

CLOSING prices: London $447; Paris $447,96; Frankfurt $442,75; Zurich $445,50; Hong Kong $438,18.

rose sharply, trading at $2,1847 compared with $2,1675 at Monday's London close.

The dollar rose slightly against the yen, however, trading at 233,42 yen compared with 232,70 on Monday.

The gold market remains nervous, but volume is moderately strong.

The record fix compared with Hong Kong's close at $439,25/$440,25 and with New York's final price of $436/$437 on Monday.

Dealers said the dollar met slight early selling pressure with some operators saying its fall against the mark was cushioned by central bank intervention.

Tokyo banking sources say the erratic fluctuations in the yen-dollar exchange rate since last Friday have been largely due to the policy of Japanese monetary authorities who withheld intervention for most of the period.

NEIL BEHRMANN reports from London that gold has become a runaway market.

Zurich and London dealers believe the price is on the way to $500.

It was widely expected that the US Treasury would announce an auction this week and many US commodity traders sold gold short weeks in expectation of an auction.

But a Swiss bullion manager pointed out that on the US auction invitation form there was an error relating to the finest of gold sold, and he would be surprised if the Treasury held a sale.

The timing of a sale, however, is still unpredictable.

Zurich bullion managers said there was no necessity for the US to sell gold because the dollar had held up well. One manager thought that it would be a mistake for the Treasury to increase its auctions because it would merely be providing Arab nations with the chance to buy large quantities of gold. He said the price of gold was not mad — it merely reflected a "world gone crazy".

The immediate impetus for the latest surge in gold and the other precious metals was the announcement that Saudi Arabia would increase its oil price from $18 to $23 a barrel. Although this was already discounted in the oil market, the New York gold bears were unaware of it.

The oil market is expecting an Opec increase of around 25%, which would push prices to $29 to $30 a barrel.

A Zurich bullion dealer said a $5 increase meant an extra $48-million a day for Saudi Arabia — $17 500-million a year. This dwarfs South Africa's gold production of $10 000-million a year.

With the Soviet Union out of the market and South African supplies insufficient to meet the gold demand, the pressure is on the price.

nesday December 12 1979 Star

Gold price breaches $450 level

79

By Colin Campbell and John Cavill

The gold price breached the 450-dollar-an-ounce level in New York and Hong Kong today and there was Arab buying of the metal on the London market as worldwide investors took fright over the latest turn of events on the world's monetary stage.

The London gold price is now but a mere 11,1 percent off the 500-dollar-an-ounce level following panic-stricken short covering and Arab buying yesterday.

While the world sits back and scratches its head as to where it will all end rumours were mounting that the United States Treasury will pull out all the stops and announce a truly massive Treasury auction.

Overnight reports from London said that American dealers are talking of an auction of between 3m or 4m ounces of gold, while from Ottawa early this morning it was announced that the Canadian Government will sell up to 1m ounces of gold from its official reserves "in the relatively near future."

Gold's take-off began with overnight bear-covering in New York where the December position rose 11 dollars to 437 dollars an ounce.

"A lot of Americans were waiting for a Treasury auction announcement and sold short on that basis," one leading analyst said.

"But with the dollar weakening and a squeeze developing in the silver market — American and British stocks are down to under 20m ounces — they rushed to cover in."

In London yesterday's gold's two fixings — at 442,75 dollars in the morning and 445,50 dollars in the afternoon — comfortably hurdled all previous records. But when Hong Kong and New York opened, the gold price staged a fresh advance.

Though there has been little new in world markets to excite the bullion price, suggestions that the oil price could rise as much as 30 percent at next week's Opec meeting, plus continued anxiety over the Iranian situation, intensified pressure on the US dollar. Heavy demand drove the dollar down against the German mark and the Swiss franc.

Sterling moved ahead against the dollar.

Among base metals speculators pushed copper, tin and zinc into higher ground, while in New York platinum futures posted sharp gains. Silver was also higher.

On the European foreign exchange markets some dealers said confidence in the dollar was hit by yesterday's news that US retail sales rose by 1,8 percent in November after a 1,7 percent fall the previous month.

The figures seem to challenge the current idea that the US is in an economic recession, and this may have led to fears of more inflation if recessionary brakes were not depressing demand and credit.

Middle East reports said that Iranian plans to cut oil production next year plus threats of an Iranian civil war between the two main religious leaders added to the general anxiety.

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FIFO valuation and LIFO valuation of end of year inventory) is R10. The tax rate is 40%. Assume a bank balance of R20 and that tax is paid therefrom.

It's over $460 on new oil fears

RDM 14/12/79

LONDON. — **The gold price surged ahead again yesterday, and it topped $462 at the close in London. It added more than $11 to its Wednesday night close in London. It was fixed at $458,80 in the afternoon and at $458,75 in the morning.**

Wednesday's second fixing was $446,25 and the first fixing was $449,75.

After the second fix gold went further ahead to $462/$463,50.

As gold went over $462 dealers reported a build-up of buying fromm all centres. One dealer said: "The price is roller coasting."

Dealers said the market was hectic, with good general demand. Prices were well maintained at the high levels of the morning when news of oil price increases generated fresh interest.

As its almost uninterrupted advance of the past few weeks continued, analysts all over the world were forecasting that gold could top $500 by the end of the month — especially as the price of oil seems set to go through the roof after Monday's meeting of Opec oil ministers in Caracas, Venezuela.

Ahead of the Opec meeting several producers have announced they are putting up their prices. They include Saudi Arabia, an oil-price dove which is being forced into a corner by other Opec members who are threatening Saudi supremacy in the Arab oil world.

More dangerous than the oil price is the threat of widespread reductions in oil production. A warning that oil production would be cut was given yesterday by the Opec secretary-general, Mr Rene Ortiz.

He said that a new dimension would be added to the oil crisis after Opec's meeting. It would be the reduced availability of oil. (See facing page).

The dollar was steady yesterday, and in Tokyo it firmed.

Gold futures opened sharply higher on the International Monetary Market and the New York Commodity Exchange.

US dealers said trading was sparked by news that Saudi Arabia, the United Arab Emirates, Qatar and possibly Venezuela would raise crude oil prices by $6 a barrel.

IMM prices opened $7,80 to $10,50 higher and Comex opening trends were up $7,20 to $11,60.

Spot silver bullion was fixed at a record 2 051,80 cents an ounce in London yesterday — up on Wednesday's 2 014c fix and compared with Wednesday's close straddling $20.

In sterling terms silver hit a new high of 975p for three months metal in early pre-market dealings, 35p up from Wednesday's closing ring levels.

This compares with the previous peak of 945p first paid at the start of this month, and again several times on Wednesday in pre-market and ring trading.

Prices rose on fresh buying following the continued strength in gold and oil fears.

In Zurich, gold opened at a record $456/$458 and immediately advanced to $458/$460.

Dealers said main buying interest again appeared to be from the Middle East, and although volume was initially small, the price was driven up by a lack of sellers.

In London, the dollar firmed in thin dealings at midday, although the market remained nervous after the oil news.

The dollar rose to 1,7364/74 marks and 1,6020/30 Swiss francs after opening at 1,7315/23 marks and 1,5942/57 francs.

Dealers said there was a small commercial order to sell Swiss francs and buy dollars that seemed to move the rates sharply in the absence of other large orders.

Oil uncertainties pushed the dollar up slightly in Tokyo to a closing 238,95 yen against Wednesday's 23735 yen.

Trading was moderate. Intervention by the Bank of Japan to support the yen was reportedly light at $30-million.

79

Gold soars as Saudis up oil price

RDM 14/12/79

79

ABU DHABI. — Saudi Arabia, the United Arab Emirates and Qatar have to increased their oil prices by $6 a barrel, the official Emirates news agency WAM said yesterday.

The UAE Oil Minister, Dr Mana Said Oteiba, made the announcment before leaving Abu Dhabi yesterday to attend a Ministerial conference of the Organisation of Petroleum Exporting Countries in Caracas on Monday.

Dr Oteiba, the current Opec president, said the increase would cover all grades produced by the three states.

Soon after the surprise announcement the price of gold soared to a new peak of $462,75 an ounce in London.

The new price increase will push up the cost of a barrel of UAE crude from $21,56 to $27,56 dollars.

This is $4,06 above the Opec ceiling of $23,50 a barrel fixed in June. But oil sells on the spot market at around $40 a barrel.

For Saudi Arabia, the top oil exporter, it means a huge jump in the price of Arabian light crude, from $18 to $24 a barrel.

The Saudi crude prices have traditionally been the lowest and served as the "marker" for pricing various kinds of oil.

Saudi Arabia's Oil Minister, Sheikh Ahmed Zaki Yamani, said in Brussels on Wednesday his country would raise the price of its oil before the Caracas meeting.

The joint move by the three moderate Gulf states appeared to be aimed at heading off clashes in Caracas with more radical Arab countries on the price issue.

This would reflect a major shift in policy by Saudi Arabia which, in the past, has resisted pressures to follow other Opec countries in raising prices and has counselled moderation in the interest of the World economy.

Sources believed the new UAE price would probably be settled on in Caracas as the new unified Opec price, perhaps for the first half of 1980.

FOOTNOTE: In New York, US oil companies said the price increase announced by Saudi Arabia was retroactive to November 1. — Sapa-Reuter-AP.

Final ascent to $500 amid oil turmoil

79

RDM
18/12/79

LONDON. — Gold began the final ascent to $500 yesterday with record fixings in London. At one stage it traded at $473/$475 before being fixed at a record $469,50 in the afternoon. The morning fixing was $460,60 and Friday's second fixing was $456,80.

Gold futures opened sharply higher on the International Monetary Market and the New York Commodity Exchange.

IMM prices opened $10,30 to $4,20 higher and Comex prices were $5,60 to $14,40 higher.

Gold's surge came in hectic trading against the backdrop of the Opec conference in Caracas, and brought prices well above the high in Hong Kong of $465/$467.

Foreign exchange dealers said the gold rise depressed the dollar, which fell to a low of 1,6000/15 Swiss francs from 1,6120/35 at midday before recovering to 1,6050/70.

In Zurich, gold rose rapidly to a record $473/$475 on expectations of oil price increases at the Opec meeting.

London $470; Paris $476,62; Frankfurt $460,45; Zurich $469,50; Hong Kong $457,02.

After moderate early trading, dealing picked up and became supercharged in the early afternoon as US markets opened.

The opening was $458,50/$460,50.

Dealers reported no new factors, but said there were plenty of buyers and few sellers.

London dealers said selling developed in the Far East on a feeling of an improvement in the situation concerning the hostages held in the US Embassy in Teheran.

High prices in the Far East were initially spurred by news of higher oil prices set by Iran, Indonesia and Libya.

In Tokyo, as in Hong Kong, where the business day ends before Europe's begins, the dollar opened higher and rose to a peak of 245,00 yen before falling in spite of the announcement of a Japanese trade deficit.

The dollar closed at 239,80 yen, down from 241,10 last Friday. Dealers cited relentless selling pressure from foreign and Japanese banks.

The pound was steady in London, quoted at $2,1975 compared with $2,1970 at the end of business on Friday.

Silver set a record in London. A recent trend-setter among precious metals, it was quoted at $21/$21,20 an ounce. That was up from last Thursday's record $20,95 and Friday's closing $20,65. New York prices on Friday reached as high as $21,75. Trading in London yesterday was described as moderate and slightly nervous.

Currency dealers say market attention is focused on whether moderate oil-producing nations will be able to impose a unified Opec pricing policy following weekend news that Iran, Libya and Indonesia had raised their prices ahead of the meeting.

Chartist sees gold correction to $320

79

RDM 18/12/79

By ADAM PAYNE

THE great question worrying gold-mining investors showing a good profit is whether to sell now and cash their profits or hold on in the hopes of further rises, risking a setback in the gold market caused by, say, a large American auction or a correction in the gold price.

Considerations favouring the course of holding on are:

Firstly, if one holds on and the gold price recedes, but only slightly, the dividends on some shares will be highly rewarding — in the 12% to 14% range.

Secondly, if one sells now and collects big profits — more than 100% in the past six months on some shares — what other field of investment can one enter offering returns comparable with the gold market?

Certainly, the historic yields of industrials are not attractive, although the prospective yields are far better. However, they are not as good as those for gold shares if the price remains over $400.

Dr Clive Roffey, a chartist-analyst who uses computer techniques and has a good track record, was predicting a price of $450 seven weeks ago when the price was $375 and various authorities in London and Zurich were saying the price would drop to $350.

He is now convinced of a big reaction in gold during 1980 to be followed by a surge that will dwarf the present one.

He says: "The market for gold is likely to continue strong for probably another three or four days. We are then looking for a correction of about $20 before the rise continues again to its major peak.

"It may get to $470 and pull back to $450 or $445 or even back to $430 — that would be better — and then it will go into its final surge, as we see it, which should take it up to about $520."

Dr Roffey recalls that he was saying 12 months ago that the RDM gold index would go through its previous peak although at that time there were not many major bulls.

He continues: "When the price hits $520 it will slide back to $320. Our chart indications are already giving us the potential course of bullion — falling to $320 by this time next year.

"In other words, we expect a major collapse in bullion next year and also a collapse in the industrial market as well as a big rise in interest rates.

"I am taking a totally opposite view to everyone else. I am not bullish for the share market in 1980 but I am bullish at the present moment for metals early in 1980. It looks as if the prices will be unreal."

He says he is bullish on Wall Street and for the dollar in 1980, although he sees the dollar about to collapse during the second half of January.

"We look to Wall Street to fall 100 to 150 points on the Dow Jones Average by the end of January. The way Wall Street is behaving now is absolutely classic."

On the Johannesburg gold market, he says he would advise a trader to sell into the present strong situation, but this is not his advice to the man in the street. Dr Roffey advises him to hold on now, but to sell in January when the gold price, as he sees it, is approaching $500. He does not see it going much beyond $500 to $520.

"When the price falls to $300 or $320, I advise anyone to sell their house, property and other possessions to buy gold shares because after that I forecast a magnificent surge way beyond the $500 mark."

I pointed out to Dr Roffey that critics of charting say it is easy to project a bull market during a strong rise. He agreed, but said interpretation of charts and the ability to predict a turnaround into a bear market called for skill.

He believes the RDM gold index can get up to the 600 level from the present 522.

"I suggest there could well be another 20% to 25% left in the market which might indicate another 30% in the so-called marginals."

While Dr Roffey projects these movements, analysts with conservative records are predicting some excellent yields in 1980 for gold shares, provided the price stays or averages over $400.

For instance, at a gold price of $420, Harmony is forecast to pay 221c giving a yield of 14% on Friday's price.

At the same gold price, Western Areas is forecast to pay 83c giving a yield of 12%, and so on.

Profit-takers stop gold short of $500

RDM 20/12/79 (79)

CLOSING prices: London $488,50; Paris $495,74; Frankfurt $491,97; Zurich $489; Hong Kong $490,58.

LONDON. — Gold was turned back within a whisker of $500 by profit-taking in London yesterday afternoon. In another day of hectic trading the price surged to a record $494 fixing in the morning. It retreated to $488,50 at the afternoon fixing — still well above Tuesday's second fixing of $477,75.

Again there were no new factors in the market, the dominant influence on the soaring price remaining the Opec oil-price meeting in Caracas and the Iranian situation.

The price went to $495/$497 in the morning.

After the second fixing gold traded in a band of $487,50/$488,50.

In Zurich, gold closed below the day's high at $488/$490 on profit-taking. It reached a new high of $495/$497 in the morning on worldwide demand compared with the opening $492/$494 and Tuesday's closing $477/$479.

Trading was active all day.

US gold futures opened higher. Prices on the IMM were $1,50 to $6,70 higher and Comex opening trends were up $3,50 to $10,30.

Yesterday's prices were the latest in a series of daily record-breaking prices reached since the middle of last week as world markets reacted with anxiety to tensions in Iran and higher oil costs.

Last week gold started its surge by breaking what the record of $437, set on October 2.

As the 1970s draw to a close, the price of gold can be seen as one of the spectacular economic events of the decade.

In the early 1970s gold was still held at an official $35 an ounce. By the midle of this year it had reached $288.

In Hong Kong yesterday gold climbed again to a record $483,50 in the morning. But trading was nervous.

It closed at $493/$495 compared with the record New York close on Tuesday, of $480/$481.

Trading was nervous and hectic in the late afternoon with most operators squaring positions and causing erratic price movements in the last hour.

There were no new factors in the market, with prices rising mainly on short covering which absorbed some Swiss selling and long liquidation from Hong Kong operators.

The dollar was mixed yesterday in world markets, but little changed in what dealers described as thin trading in advance of the holidays.

In London, it was barely changed from its opening levels throughout a quiet morning, with the foreign exchange markets unruffled by gold's continued surge.

With most major banks having squared their books for the year and with many operators out of the market, trading was thin.

The dollar gyrated against the yen in Tokyo in what traders called a thin market, finishing the day at 239,75 yen — nearly two yen lower than Tuesday's 241,40 yen closing.

Star 20/12/79

(79)

Gold eludes the $500 mark

Financial Correspondent

After gold had streaked to within a whisker of the magical 500 dollar mark in London yesterday, the price came off in both New York and Hong Kong on profit taking.

In New York prices fell around nine dollars on heavy profittaking and rumours of a breakthrough in the Iranian crisis. Spot gold prices closed at 471/-473 dollars — well down from the 488,50 close in London.

As the clocks swung around to the Far East the price rallied slightly to around 475 dollars in late trade.

Although psychological barriers in gold seem to be a thing of the past the 500 level waseluded on world markets but analysts are optimistic that the metal will start the new year with a bang rising to perhaps 530 dollars an ounce in the first quarter.

Mining shares were in heavy demand in London with the feature of yesterday ZCI which jumped 44 percent to 52p on rumours that Lonrho plans to make an offer for the company.

Rustenburg raises price

Rustenburg Platinum Holdings raised its platinum producer price to 420 dollars an ounce from 380 dollars with immediate effect.

Impala Platinum Holdings yesterday raised its price to the same level.

Rustenburg last raised its producer price to 380 dollars in August.

Rustenburg has also raised its palladium producer price to 150 dollars an ounce from 135 dollars and its iridium price to 350 dollars from 300 dollars, following Impala's lead yesterday. — Reuter.

DIAGONAL F.M. 21/12/79

Christmas cheer 79

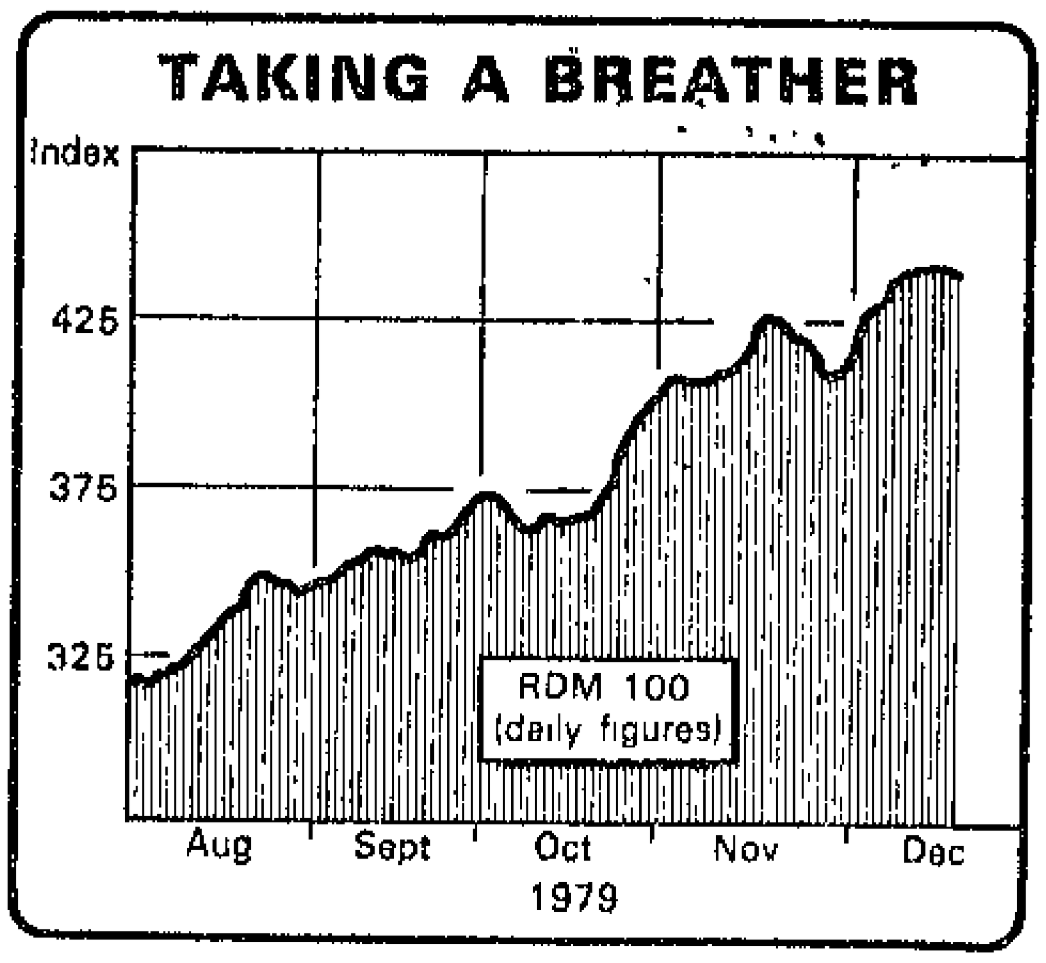
With gold hitting $494 on Wednesday morning, it looks as if the new year could start with bullion above the $500 level. Following last week's oil price hike by Saudia Arabia and continued uncertainty surrounding production plans in Iran, Opec ministers in Caracas still have to decide on a unified oil price structure And there is nothing better than uncertainty to fuel bullion.

Though bullion continued to shoot through the roof, local investors failed to react with the enthusiasm of bullion speculators. The *RDM* gold index picked up 17.3 points to 524.5 on Tuesday, but still reflects investors' reluctance to commit themselves to sustained gold prices. And perhaps not without justification. This would not be the first time that the bullion price has shot ahead of oil price hike scares, only to correct later when a degree of sanity has returned to the international market. But this might not be the case this time. Comex quotes for April delivery are well into the $500's, with some bulls predicting a price of $600 within the first few months of next year.

Meantime, other precious metals continue to make the running. With free-market platinum solidly fixed in the $570 range, Impala and Rustenburg boosted their producer quotes $40 to $420. Even so, Rustenburg only managed a 5c advance to 470c and Impala a 15c increase to 545c.

For the brokers the week was both a good one, but also a frustrating one. Most brokers have done particularly well during the year and 1979's family Christmas trees are going to be laden with goodies. But the complaint now is that though the money is there, market activity has gone up rather than down as a prelude to the holiday season and brokers have been hard-put to snatch shopping time.

The week's activity was strong, with mining shares, particularly gold, attracting most of the new and overseas money flowing into Diagonal Street. Industrials were steady with the *RDM* 100 closing only 0,7 points down at Tuesday's 441. The strength in industrials has surprised some analysts who have been predicting lower prices for both technical and fundamental reasons. But, with most of the institutions having wrapped up their 1979 portfolios, there is little selling pressure and a larger than usual number of individual buying orders to keep prices up. And with GNP growth next year expected to be up at 5% there are now those who see current prices as being reasonable value.



Special situations in industrials now abound, however, as speculators climb in to add to those topping up with portfolios liquidated in error earlier this year.

Barlow Rand, on news that it is to take control of the CG Smith sugar and industrial empire, gained only 12c to 790c reflecting the shares high marketability — this ensures full pricing on continual rating which currently discounts the short term for most corporate probabilities. Likewise C G Smith Investments gained 20c to 545c and C G Sugar closed unchanged at 1 000c.

Premier Cement, moved on the basis that it is doing extremely well out of its lime mining and expected to boost profits sharply next year as builders and civil engineers push cement orders through to cope with the expanding work they are now getting. The share gained almost 35% to 225c in active trading.

Salect, coming back to the boards after a lengthy lay-off during Mercabank's restructuring of the near-crippled company, moved 313% to 62c. This reflects the despondency at the time of de-listing and also the apparent success in the re-structuring operation which has given the group Skok as its main operating arm.

In furniture Russel slipped back after a somewhat heady reaction to the 45% profit and 50% dividend improvement announced last week. The share has come back to 200c at which it yields 6,5% compared with 5,6% for the sector. Also in this sector Tedelex moved on anticipation that the company will cream sales over the next few months. With increased margins on most of its household lines likely to be maintained during the bumper shopping period, the company is likely to improve profits by as much as 50% — dependent to some extent on the success of its new export ventures which will raise gross margins. Tedelex, which moved strongly this week to 205c for a 10c gain, is now only 20c short of its two-year high.

In the coal sector most prices remained steady, with few believing that with the index at 982 there are many bargains to be had.

Ian Mul

Amsterdam

	Dec 18 1978	Dec 10 1979	Dec 17 1979	Yield %
KLM	113	79	75	4,0
Philips	24	21	20	8,5
Robeco	163	164	165	8,0
Royal Dutch	119	152	150	7,2
Unilever	117	114	113	7,8
Industrial index	78	68	66	—

Easier bias in quiet trading

Frankfurt

	Dec 18 1978	Dec 10 1979	Dec 17 1979	Yield %
BASF	133	140	140	6,7
Daimler	321	245	245	5,7
Deutsche Bank	303	256	255	5 5
Siemens	284	259	257	4 9
Thyssen-Hutte	116	82	79	7,9
Commerzbank index	813	718	707	—

Generally weaker in slack markets

Paris

	Dec 18 1978	Dec 10 1979	Dec 17 1979	Yield %
Imetal	51	61	63	9,0
Paribas	207	225	229	4 4
Pechiney	70	103	103	7,3
Saint Gobain	146	135	131	10,4
Usinor	14	13	13	--
Paris Bourse index	75	95	94	—

Inclined easier in thin turnover.

Sydney

	Dec 18 1978	Dec 10 1979	Dec 17 1979	Yield %
Broken Hill	8,60	10,35	10,90	3,1
CRA	3,45	3,78	4,50	2,2
Myer Emporium	1,67	1,53	1,56	6,7
Pancontinental	9,20	4,50	5,00	—
Western Mining	1,67	3,14	3,38	2,1
All Ordinary index	537	696	721	—

Surged to new all time peak.

London

	Dec 18 1978	Dec 10 1979	Dec 17 1979	Yield %
BP	920	364	360	5,5
Barclays	362	406	418	5,6
ICI	365	368	365	7,2
GKN	253	253	259	9,6
GEC	328	327	332	2,7
Johnson Matthey	478	195	202	6 0
Marks & Spen	83	79	81	4,6
Reed	145	174	181	6,3
Rio Tinto	229	292	319	5 2
Rothmans	59	47	47	7,4
Stancha	430	451	468	7,6
Unilever	536	452	454	7,0
War Loan 3½%	30	28	29	12 1
FT index	476	423	421	--

Tokyo

	Dec 18 1978	Dec 10 1979	Dec 17 1979	Yield %
Fuji	630	573	566	1 3
Mitsub	122	172	177	3,4
Nissan	655	697	700	1,1
Sony	1 500	1 720	1 690	1,5
Toyota	894	857	873	1,1
New Stock Exchange index	445	450	453	—

Narrowly mixed but quite active

Zurich

	Dec 18 1978	Dec 10 1979	Dec 17 1979	Yield %
Boveri	1 645	1 735	1 705	2,9
Ciba Geigy	1 080	1 230	1 235	1,8
Credit Suisse	2 140	2 280	2 295	3,5
Swissair Bearer	790	780	781	4,5
Swiss Bank	335	394	403	2,5
Union Bank	2 970	3 435	3 535	8,0
Swiss Bank Corp index	284	304	304	—

Firm undertone in moderate dealings

New York

	Dec 18 1978	Dec 10 1979	Dec 17 1979	Yield %
Amax	46	42	45	4.0
Amer T&T	60	54	53	9.4
ASA	24	34	36	6.7
Bank of America	26	27	26	5.1
Chase	29	39	39	6.2
Engelhard	28	53	64	3 1
Exxon	49	56	57	7.7
Firestone	12	9	9	6 7
Ford	40	34	33	12.1
Gen Electric	46	47	50	5.6
Gen Foods	32	36	35	5.7
Gen Motors	55	52	52	10.2
Homestake	32	40	42	3 3
IBM	270	66	65	5 3
Inter Nickel	15	21	21	2.4
ITT	27	27	26	9.2
John Deere	33	37	39	4 6
Newmont	22	32	34	3 8
Phelps Dodge	21	26	29	4 1
US Steel	21	18	18	8 9
D J Index	790	834	839	—

Indices

	Dec 18 1978	Dec 10 1979	Dec 17 1979
UK Industrials (FT) (1935 = 100)	476 1	422 9	421,3
Dividend Yield	6 1	7,7	7 7
Earnings Yield	15,8	19 1	19,2
UK Government Securities (FT) (1962 = 100)	68,6	64,1	65,1
UK Actuaries 672 Shares (FT) (10 4 1962 = 100)	222,7	230.3	232,1
US Ind (Std & Poor) (1941-43 = 100)	105,5	120,4	121,5
Dividend Yield	5,2	5,3	5,2
PE Ratio	8,6	7,6	7,7

Gold's surge checked

RDM 21/12/79

79

LONDON. — The gold price suffered a major correction yesterday, falling about $17. It was fixed at $471,50 in London yesterday afternoon and at $477,25 in the morning. Wednesday's second fixing was $488,50.

CLOSING prices: London $468,50; Paris $481,46; Frankfurt $478,97; Zurich $474; Hong Kong $475,37.

The fall was not unexpected after days of record-breaking prices. World money markets were calm yesterday and the dollar was firm.

The bullion markets were active and nervous. But the hectic trading of the past few days in gold died down.

On Wednesday morning it had reached a record London fixing price of $494.

The quiet period which normally precedes Christmas was undisturbed by news that the Opec oil ministers meeting in the Venezuelan capital of Caracas failed to reach agreement on the charge for oil, setting the stage for a price free-for-all next year.

Gold hit records every day from the middle of last week when it broke through the previous record of $437.

Profit-taking reversed the price trend over the past 24 hours.

Gold futures opened higher on the International Monetary Market and the New York Commodity Exchange yesterday.

Dealers said that although the London morning fix was down, this was above the December close on Wednesday.

IMM prices opened $4,50 to $8,70 higher and Comex opening trends were up $2,90 to $8,50.

On European foreign exchange markets, dealers pointed out that most major banks and firms had already squared their books for the end of the year and no big movements in currencies were expected.

The pound sterling traded at $2,2005 yesterday — down from Wednesday's $2,2035.

The dollar traded at 1,7345 marks compared with 1,7297 on Wednesday, 1,6040 Swiss francs (1,6035), 4,0515 French francs (4,0525) and 238 yen (239,10).

Trading in gold was active yesterday morning in London, and it recovered some of its overnight losses. It reached $479/$481 after opening at $472,75/$474,75.

There was renewed buying interest at the lower levels after profit-taking in the US markets on Wednesday which pushed prices to a $471/$473 close — down about $17 from the London close of $489/$490.

Dealers said morning trading was nervous and fairly active, but relatively restrained after Wednesday's wild fluctuations in New York and subsequently in Hong Kong.

Gold traded up to $480/$482 in early deals, but eased slightly to the fixing level.

In Hong Kong, gold was buffetted by news from the oil producers in Caracas and the US decision to delay seeking UN sanctions against Iran. It traded up to $482/$484 before settling to a $475/477 close.

In Zurich, gold recovered to $482/$484 in early trading after opening at $475,50/$477,50 — below Wednesday's closing $488/$490.

The dollar declined fractionally against the yen in Tokyo in a dull market. It finished the day at 238,95 yen, compared with 239,75 yen on Wednesday.

BUSINESS MAIL

RDM 22/12/79

Gold rallies

79

LONDON. — The gold price rallied in London yesterday. It was fixed at $473,10 in the afternoon and at $474,90 in the morning. Thursday's second fixing was $471,50.

Trading was quiet yesterday, and after the second fixing gold was quoted in a range of $472,75/$474,75.

Only a few orders were in the market in the morning to square positions before the end of the year.

Gold futures opened mostly higher on the International Monetary Market and the New York Commodity Exchange.

Trading was light and reflected the higher London morning price.

IMM prices opened 40c to $3 higher and Comex opening trends were up $3 to $1,30 lower.

In Zurich, gold closed at $474/$476 against $474/$476 at noon. The market closed early.

In Washington, the US Treasury denied reports in Zurich that it had indicated it would auction 250 000 ounces of gold weekly, beginning in January.

Gold rose $1,02 in Hong Kong to $476,39 from Thursday's $475,37.

The dollar traded quietly at midday near opening levels in London, but it was below the early highs.

Initial reaction to US current account figures boosted the dollar in early dealings, although rates settled back as the limited orders in the market were completed.

The dollar was quoted at 1,7397/7417 marks and 1,6020/50 Swiss francs

Dealers said the failure of Opec Ministers to reach a consensus over oil pricing came as no surprise to the market

RDM 28/12/79 (79)

Now gold surges to $517

LONDON. — The price of gold hit new peaks on world bullion markets yesterday, touching $517 an ounce in New York at one point in a new surge reflecting heightened international economic and political fears.

The US dollar slipped slightly on foreign exchange markets.

In the key London bullion markets, gold slipped slightly from its peak to close early at $511 an ounce, $25 up on the Christmas Eve close of $486. It maintained its momentum in its largest market, Zurich, where it closed at $514.

Dealers said they expected further increases because of the unresolved Iranian crisis and fears of further oil price rises.

They said the latest jump in the gold price started in New York on reports of a Soviet arms build-up in Afghanistan, posing a potential threat of a US-Soviet confrontation.

The prices of other precious metals also surged on the same sentiments that moved the gold price.

Silver bullion closed in London at $28 an ounce, three dollars up on Monday's price, and platinum on the free market was fixed at a new record of $687,50 an ounce, compared with its previous high of $646 last week. — Sapa-Reuter.

Reviews by the chairmen of the O.F.S. gold mining companies administered by Anglo American Corporation.

THIS YEAR HAS SEEN GREATER AWARENESS OF GOLD'S ROLE AS A MONETARY RESERVE

F.M. 28/12/79 79 ~~312~~

– Mr D A Etheredge, Mr G Langton, Mr G Y Nisbet

The following is an abridgement of the text common to the annual reviews for 1979 of Mr D A Etheredge, chairman of President Brand, President Steyn, and Free State Saaiplaas, Mr G Langton, chairman of Free State Geduld and Western Holdings and Mr G Y Nisbet, chairman of Welkom:

Gold

At the time of writing last year's review the price of gold set at the London fixings had just fallen by some $50 to $194 in the space of a month. This followed the announcement of a $30 billion support operation by the United States Government and of a massive increase in the amount of gold that was to be auctioned monthly by the United States Treasury. Nevertheless, attitudes were cautiously optimistic.

The strength of the market has since surpassed all expectations with the price soaring to a new record fixing of $397 on the closing day of the year under review. Three fixings later it peaked at $437, $243 higher than at the same time last year. The US Treasury subsequently again altered its auction policy from one of regular sales of specified quantities to an ad hoc programme which temporarily brought the price under some pressure.

The average price of gold during the financial year was $257, an increase of 43 per cent over the previous average of $180. Also of significance is the fact that the price has increased appreciably in terms of stronger currencies. During the year the dollar price rose to $397 from $217, an increase of 83 per cent. In Deutschemark terms the price rose by 71 per cent, by 86 per cent in Swiss francs and by 119 per cent in Japanese yen.

Whereas last year the increase in the gold price largely reflected the weakness of the US dollar, the pattern this year has seen a more widespread distrust of all paper money. Indeed, investors attempts to protect the value of their assets have been a major factor, not only in gold's rise to record prices, but also in the levels attained by other precious metals. It is significant that this principle was recognised by recent US legislation which permits pension funds and insurance companies to invest a proportion of their assets in precious metals.

Investment in gold including bullion, medallions and official coins is estimated to have absorbed 494 tons in 1978 compared with 417 tons in 1977. Investment demand in 1979 is anticipated to show an even more substantial increase although it is too early to be precise.

Fabrication demand for gold in 1978, including coin and medallions, rose to a record 1 552 tons. In view of the sharp increase in the gold price in hard currencies some decline in industrial offtake must be expected in 1979. Current estimates of the reduced demand in this sector, however, indicate that the fall is likely to prove relatively modest, particularly when compared with the major decline in 1974 when demand fell to 250 tons. The continuing strength of the jewellery and industrial market may be ascribed in part to the successful promotional efforts of Intergold. Intergold has also stimulated the high level of demand for Krugerrand gold coins which contain one ounce of fine gold. A survey into the marketability of the R2 gold coin, which contains approximately a quarter of an ounce of fine gold, has been initiated.

The supply of gold to the market in 1979 is expected to be higher than at any time other than in 1967/68 when monetary authorities sold large quantities in an attempt to maintain a fixed price of $35 an ounce. New production by mines in the non-communist world will probably show a slight increase from the approximate 970 tons of the past three years. Net communist bloc sales are estimated to be around 250 tons as against annual sales of around 400 tons in the recent past. This reduction, however, is more than offset by the increased amount sold by the US Treasury. The IMF will have sold 170 tons in 1979 compared with 184 tons in 1978.

It is not certain whether the IMF will continue its sales after the current four-year programme which ends in May 1980, nor is it clear whether the US Treasury will continue its sales at the level of its November auction. It is quite obvious, however, that foreseeable supplies of newly mined gold are insufficient to meet current demand let alone an increasing investment demand.

The year has seen greater awareness of gold's role as a monetary reserve as shown by the revaluation to market related levels of the gold portion of most central bank reserves. In the future gold seems bound to play an increasingly important part in international monetary

SUMMARY OF OPERATIONS

	Free State Geduld 1979	1978	Free State Saaiplaas 1979	1978	President Brand 1979	1978	President Steyn 1979	1978	Welkom 1979	1978	Western Holdings 1979	1978
GOLD												
Tons milled 000's	**3 131**	3 370	**1 273**	1 240	**3 218**	3 146	**3 575**	3 256	**2 178**	2 184	**3 154**	3 113
Yield – grams/ton	**12,20**	12,78	**3,44**	3,55	**9,41**	9,53	**7,11**	7,87	**5,77**	6 09	**9,91**	10,64
Production (kg)	**38 202**	43 055	**4 376**	4 408	**30 282**	29 989	**25 425**	25 622	**12 569**	13 303	**31 265**	33 116
Cost Rand/ton milled	**31,90**	26,50	**23,82**	22,05	**28,15**	25,14	**28,16**	26,21	**26,93**	23,56	**25,04**	22,56
Cost Rand/kg produced	**2 614**	2 074	**6 931**	6 202	**2 991**	2 637	**3 960**	3 331	**4 666**	3 868	**2 526**	2 121
Revenue Rand/kg	**7 020**	5 369	**7 111**	5 467	**6 994**	5 387	**7 202**	5 378	**7 107**	5 380	**7 113**	5 363
Working Profit (loss) R000's	**169 056**	142 523	**873**	(3 175)	**121 822**	82 949	**82 941**	52 865	**30 934**	20 328	**144 010**	107 851
Capital expenditure R000's	**48 411**	39 716	**33 127**	10 754	**69 476**	27 995	**24 294**	20 121	**5 808**	3 574	**10 403**	6 027
Dividends cents per share	**420**	315	—	—	**295**	150	**182,5**	80	**110**	65	**645**	415
JMS												
Slimes delivered tons 000's	**2 542**	2 830	**2 066**	2 474	**2 512**	2 960	**5 895**	4 715	**519**	—	**4 032**	3 632
Attributable profit (loss) R000's	**3 343**	20	**21 823**	14 140	**10 382**	6 317	**6 819**	224	**2 930**	(2)	**1 343**	(1 215)

transactions. Although short term price fluctuations will inevitably occur, the outlook remains favourable

Uranium

The current swing from increasingly expensive oil based energy to nuclear and coal is certain to accelerate in the 80s even if total energy demand growth in the industrialised nations only increases at a very modest rate. However, the demands for additional safety devices on existing and future nuclear power plants will result in further delays in commissioning dates and reduce earlier predictions of growth in near term consumption.

Australian producers are making progress in overcoming State and environmental problems which have delayed the commissioning of their mines and are now more active in the market A consequence of their activity has been to limit the increase in uranium price and in 1979 the price continued to decline in real terms

Indications are that if all the new production facilities which have been projected are actually commissioned there will be a surplus of production capacity until there is a resurgence of demand.

The 1980s

The higher gold price will enable the mines to turn to account lower grade ore and to extend their working lives as indeed they are obliged to do in terms of their mining leases. However, modified mining plans cannot be put into effect in the short term and extensions to mill capacities and new shafts take even longer. Nevertheless, the trend in the industry will be to mine lower grades in the 1980s provided of course that the escalation in costs does not outstrip the increase in gold price

There are considerable reserves of lower-grade ore in the Witwatersrand Basin, both within and without existing mining leases The higher average price has already resulted in increased exploration activities. Unfortunately, capital required to establish a new mine and the costs of operations have risen substantially, so much so that the minimum grade required to establish a new mine has only dropped marginally compared with five years ago despite the much higher gold price used in viability studies today A mine with a milling capacity of 135 000 tons a month nearing commissioning now would have cost in the order of R250 million. The same mine commenced today and completed in the mid-1980s would cost approximately R400 million based on recent inflation experience. New mines to exploit low grade ore bodies are therefore likely to be few in number and expansion will undoubtedly be in the form of extensions to existing operations whose cash flow can be used to finance development

The taxation authorities in this country have always followed a conservative policy in relation to the mining industry and I certainly hope that the substantial increase in gold mining tax payments following the gold price rise will encourage them to adopt lower marginal rates and increase the initial capital allowances. Both these steps are necessary if full advantage is to be taken of the potential for exploiting lower grade ore bodies. The reduction in the surcharge rate from 7,5 per cent to 5,0 per cent and in the loan levy rate from 15 per cent to 10 per cent for the 1980 tax year was welcome, but certainly fell short of industry requirements, particularly in relation to the establishment of new mines

The mining industry offers employment opportunities to over 300 000 underground workers and nearly 100 000 surface workers, most of whom have had very little or no formal education. The task of formulating training programmes aimed to improve performance and overall productivity on the mines remains formidable However, success in this field is imperative if the predicted skills shortage is to be averted Progress has been made and over the last few years 6 000 artisan aides have been trained in all types of maintenance and repair work. These men have received training in some modules of the work undertaken by boilermakers, electricians and fitters, amongst others, which enables them to work under the guidance of fully trained artisans. These steps are admittedly inadequate when seen in the context of the skills and labour force required by South Africa as a whole to ensure economic expansion. Increasing mechanisation throughout the country will further strain resources in the engineering and technical fields and it is important that the capacity of all training facilities in the country be expanded Having said this, it must be pointed out that all mines administered by Anglo American Corporation have fully-equipped training centres where continuous job-related training of both whites and blacks takes place. To improve further training capability, an integrated modular development programme is to be launched shortly. In addition, courses are offered on a central basis to both graduates and non-graduates in all disciplines. These courses are not only job-related but also cover the broader aspects of mining and management techniques. To meet the challenge of mechanisation, specialist courses in hydraulics, instrumentation and electronics are run throughout the year.

The continuous training of people in itself can and should only be undertaken within a labour structure which enables all individuals to use their accumulated skills to maximum potential Forward planning of development of the labour force in a new environment where there will be equal opportunities, equal pay for work of equal value, as well as the right to trade unionism, must be tackled with some urgency. The next decade will see fundamental changes in labour policy which hopefully will result in the industry being manned by a stable, well-motivated labour force

In common with other mines in the industry we have embarked on a programme, to reduce diesel consumption and capital has been committed for the conversion of locomotives and other mobile equipment to electric power.

Labour

The publication of the Wiehahn and Riekert Reports on industrial relations and labour mobility was a milestone in labour development in South Africa. The government, however, adopted a cautious attitude towards the Commissions' recommendations particularly in regard to the admission of blacks to trade unions Fortunately, it has since made an important move in this direction and seems intent on full implementation of all the recommendations, but in terms of an undefined timetable Some matters remain to be considered by the Wiehahn Commission which will be devoting a further report to matters concerning the mining industry in particular Once this has been published and the Government has made its views known, it will be possible to plan for the better utilisation of our human resources and for an improved industrial relations structure. However, much will depend on the co-operation of the white trade unions, many of whose members, while recognising that change is inevitable and necessary, are fearful of their job security.

A further improvement in conditions of employment in the mining industry and the high rate of unemployment in southern Africa, have ensured that our mines have had more than an adequate supply of unskilled labour throughout the year.

Joint Metallurgical Scheme

The total profit of R46 640 000 is in itself a tribute to the improvement in operations that has taken place during the year. All commitments were met from current production and we were able to sell uranium and acid on the spot market.

It is planned to increase the acid plant capacity during the current year by 150 tons a day and so bring into better balance our pyrite and acid production. New contracts have been concluded for the sale of the additional acid.

The extensions to the slimes section of the President Brand uranium plant which will give a final capacity of up to 500 000 tons a month are almost complete and commissioning has commenced. Full production should be achieved during the third quarter of 1980.

A significant part of the scheme's short term production was contracted to Iran. Since the political upheaval, that country's nuclear energy programme has apparently been scrapped and the Atomic Energy Organisation of Iran has advised participants that it wishes to cede the contract to a third party who would, of course, have to be acceptable to all concerned In the interim, deliveries to AEOI have been suspended while preliminary discussions on the ceding of the contract take place.

A joint sales contract for the delivery of uranium was concluded early in the year. The terms agreed include a consumer loan to be paid partly in US dollars and partly in rands. The loan will be made in four tranches, the first of which has already been received, the balance being payable over the years 1981 to 1983 The loan will be repaid in quarterly instalments commencing in December 1985.

The annual reports and chairmen's statements may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001.

Annual General Meetings: The annual general meetings of the members will be held at 44 Main Street, Johannesburg, on Thursday, January 24 1980 at the following times:
Free State Saaiplaas Gold Mining Company Limited 10h00, President Brand Gold Mining Company Limited 10h35, President Steyn Gold Mining Company Limited 11h20, Welkom Gold Mining Company Limited 11h45, Western Holdings Limited 12h10, Free State Geduld Mines Limited 12h35

F.M. 28/12/79 (79)

GOLD REPORTS

On a higher price base

Ahead of Christmas, bullion balked at the $500 barrier. It was scarcely surprising as, despite threats of higher oil prices from Caracas, some certainty was returning to oil's future.

But whether this marginally improved stability will continue is another matter. Already, influential oil analysts in London are talking of 1980 as the year in which Opec's base oil prices average over $40 a barrel, compared with Saudi Arabia's pre-Caracas price hike to $24.

RISING COSTS

	Cost R/t milled year to Sept 30 1978	Cost R/t milled year to Sept 30 1979	% rise	Cost R/kg produced year to Sept 30 1978	Cost R/kg produced year to Sept 30 1979	% rise
Bracken	17,69	19,13	8,1	2 619	3 145	20,1
Kinross	18,37	20,53	11,8	2 484	3 245	30,6
Leslie	18,56	19,18	3,3	4 062	4 680	15,2
St Helena	21,45	23,65	10,3	2 375	2 641	11,2
Winkelhaak	15,56	16,94	8,9	2 047	2 298	12,3

If that proves to be correct and the world does enter its long-awaited recession, the outlook for bullion may not be altogether bright. But the world still has to fully digest the US's freezing of Iranian deposits and the accompanying shock to confidence in the banking system. Diversification of only a small portion of next year's likely Opec surpluses into gold, could make even $500 seem a low figure.

No matter what happens, gold producers seem set to operate on a much higher gold price parameter than in 1979. And that will certainly result in substantial grade cutting and mine life extensions. But it may well also be accompanied by significant increases in capital spending by the mines.

St Helena: Though grade virtually stabilised last year, management is apparently planning further grade reduction this year. Presumably, if development on Ongegund discloses viable ore grades, an early start will be made to mining the area.

Announcement by neighbouring President Brand that its shaft to exploit southerly ore shoots will cost R125m does not augur well for St Helena if a further shaft is needed to mine Ongegund But that will probably be the case as the mine's No 8 shaft is unlikely to be able to handle the bulk of ore needed to keep the mill full.

Last year, retentions amounted to only R2,3m, but the figure could increase sharply if an early start to shaft sinking is needed. At current gold prices, an average grade drop to 8 g/t or less, is in prospect for the current year. Mill throughput should be fully satisfied from underground ore without recourse to lower grade ore from surface dumps.

Kinross: As stope tonnage from the higher grade No 2 shaft area builds up, falling grades in the southern part of the lease area should be offset. On that basis, average mill yield should remain steady at something over 5,5 g/t.

The only major capex project in prospect in the near term is provision of underground refrigeration plant to serve the deeper No 2 shaft workings. Refrigeration costs, and generally increased costs as average mining depths increase, could mean a relatively steeper unit costs increase than occurred last year, though the mine has a good record of cost control. Mill throughput is at full capacity, though there may be scope for increasing treatment rates if ore is treated by Bracken or Leslie.

Winkelhaak: Drilling on ground acquired beyond the mine's north-eastern boundary is giving highly encouraging results, and the area's full potential should be known in little over a year. However, whether an early start will be made on mining the area remains to be seen. It could require the sinking of one deep level shaft, but there is little urgency to open the new ground as ore reserves in presently worked areas are under no strain.

Meantime, in terms of the mine's lease formula, recovery grade will decline again this year, probably to below 7 g/t before the year is out. On the other hand, capex should average only little more than R1m for the next few years until further shaft sinking is undertaken.

Leslie: Official estimates of the mine's remaining life are, as usual, conservative. The 1978 annual report estimated five years and the same is given in the latest annual report, though with the *caveat* that this will be accompanied by lower average grades

Not that this is any particular surprise, but recovery grade could be set to fall to 3,5 g/t this year. However, there is probably scope for increasing monthly mill throughput to the 100 000 t level achieved in 1975-76. Capex should remain at a nominal level for the remainder of the mine's life and further capital repayments could be on the cards after 1982.

Bracken: The market's earlier scepticism of life estimates given by management 12 months ago appears to have been justified. Further ore reserves within the lease area have helped increase the current life expectancy to four years though, inevitably, this extension will be accompanied by further grade drops. An average recovery grade of 5 g/t could prove optimistic for the current year with an eventual drop to a longer-term 4.5 g/t in prospect.

Since the 10c capital repayment in 1976, management has been notably unhurried to repay further capital. And once the mine's own ore reserves are exhausted, it is possible that facilities will be used for treating ore from neighbouring mines.

GOLD MINES' PERFORMANCE

	Average t/month milled 000't	Recovery grade g/t	Gold produced kg	Revenue gold (Rm)	Total profit (Rm)	Capex (Rm)	Net EPS (c)	1978-79 dividend (c)	1979-80 dividend projection at $450 (c)	Price (c)	Prospective yield %
Bracken	64	6,1	4 682	33,1	7,8	—	55,9	52	75	340	22,1
Kinross	132	6,3	9 996	70,8	17,0	1,1	88,3	74	135	1 120	12,1
Leslie	85	4,1	4 201	29,7	5,2	—	32,2	32	55	275	20,0
St Helena	161	9,0	17 305	120,6	32,5	1,6	323,7	300	475	3 300	14,4
Winkelhaak	175	7,4	15 488	109,3	29,6	1,3	233,8	205	375	2 875	13,0

Jim Jones

Gold could stride on to $600 mark

(79)

28/12/79

Star

By Colin Campbell

Now that the gold price has crashed through the 500 dollar an ounce barrier can the 600 dollar an ounce level be far behind?

This is what London analysts were talking of last night following fresh records set by bullion in all world trading centres yesterday and as Arab clients of some leading European banks were being advised to place 20 percent of their investment assets in bullion in 1980 compared with 5 percent previously.

War and rumours of wars; oil price uncertainty and news that Venezuela will announce a price increase tomorrow; tension ahead of the UN Security Council meeting on a US request for measures against Iran — all have played their part in gold's sharp run.

RECORD

In Zurich yesterday, gold reached a mid-price peak of 518,50 dollars an ounce before easing back to a record closing of 514 dollars.

In London, gold closed at 511 dollars an ounce and in New York it closed 11,50 dollars up at 515—516 dollars, while in Hong Kong the high point was 516 dollars.

At noon in New York, gold was sold at 517 dollars after news of the coup of Afghanistan.

Speculators in New York and Chicago paid 602 dollars an ounce for gold to be delivered in one year, and gold for delivery in September 1981 fetched 659 dollars an ounce.

Yesterday's vault in the gold price brought guarded reaction from Government and mining authorities.

RESERVATION

The Minister of Finance, Senator Owen Horwood, warned against any "financial permissiveness" and again repeated his message that just because the gold price had risen, South Africans should not live beyond their means.

The vice president of the Chamber of Mines, Mr R S Lawrence, said the gold price should be regarded with a "measure of reservation."

The underlying factors are undoubtedly bullish — however, the present rapid rise of the price appears to be based largely on uncertainty surrounding the political situation in the Middle East and the economic prospects of 1980, which are closely tied to the oil price and world-wide distrust of paper currencies, he said.

In line with the strong gold price Krugerrands hit a new high in London, spot silver was at a record and in America, platinum futures surged.

Gold shares were strong on the JSE yesterday and there seems little reason why they should not be equally exciting today, the last trading day on the JSE of the decade.

RAND DAILY MAIL, Friday, December 28, 1979

Gold bursts past $500 on Iran fears

RDM 28/12/79

(79)

By NEIL BEHRMANN

LONDON. — The price of gold burst through the $500 dollar barrier with ease in hectic trading in London yesterday. Market activity was dominated by speculators.

It was fixed at R508,75 at the morning fixing in London yesterday and closed at $510 to $512. There was no second fixing in London yesterday where banks and commodity markets closed early.

German and London bullion dealers said that when the price fell from the $490 range to $470 last week, speculators had sold gold short on the United States commodity exchanges. The sharp rise in price this week was helped along by burnt bears who were forced to cover in their short positions at heavy losses.

In the past six weeks the gold price has increased by more than $100 dollars and the platinum price which closed yesterday at $700 has appreciated by more than $200 in the same period.

The silver price rise has been even more dramatic increasing by 57% to $27,50 an ounce.

Political factors helped contribute to the fever in the closing week of the seventies. The market was especially concerned about the airlift of 5 000 Soviet troops into Afghanistan.

With Afghanistan bordering on Iran and with reports that seven of the US hostages were missing, there was sufficient incentive for renewed demand for gold. Dollar weakness aggravated the trend.

Bullion dealers said they would not be surprised to see prices rise further in the new year because fabricators might be short of stocks. These fabricators had remained out of the market hoping that precious metals prices would decline.

In retrospect, 1979 was was the year of wrong predictions.

In March Swiss and German bullion experts made various forecasts to me on precious metals prices. The most bullish forecast for gold was around $320, but the majority were talking of a $280 to $300 range by the year-end.

At the time the price of gold was $240. Silver was then $6, but the bullion managers were only predicting a top of $9, which is about a third of the current price.

By june the gold price was over $280 and at a gold conference in Montreaux, the majority of dealers were expecting a short-term setback to $250 and then a move to $300 by the year-end. They were proved wrong within weeks.

When gold surged through $350 in September there was more confusion. I recall one Swiss banker saying that a price of $380 was unreasonable except if it reflected turmoil in South Africa.

Having been proved wrong by the market, this banker, who advises one of Zurich's big three, was quite content with a gold price of $450 dollars only three months later.

This example illustrates the turnabout in expectations in a runaway bull market. Opinions would change with any slight turn in the wind, illustrating the instability of the speculation which pushed the price higher and higher.

The big difference with this year's speculation, however, (and that is why a gold price prediction is nothing more than a spin on the roulette wheel), is the massive flow of funds into the bullion markets by billionaires who are prepared to support the metals at any price.

This demand has dwarfed the flow of gold from the producers. For example, at a price of $500, South Africa's entire production is worth $11 500-million. But this is only about 15% of Opec's projected financial surplus in 1980.

Other factors in the precious metals market are the pools or syndicates who are operating on similar lines to those who were trading before the Wall Street crash of 1929.

79

Central banks to go for gold?

AT A GOLD price of $500, South Africa's entire gold production is worth $11 500-million. But this is only about 15% of Opec's projected financial surplus in 1980.

This serves to underline the massive flow of funds into the bullion markets and the enormous potential demand which exists, especially among the Opec countries.

Bullion dealers believe that in the coming decade central banks could intervene in the gold market on an increasing scale.

They reason that with the gold price over $500 there is now sufficient incentive for central banks to reactivate their dormant but invaluable asset.

Gold holdings of central banks amount to some 35 000 tons worth $465-billion on a gold price of $500.

At current prices, gold now accounts for nearly 60% of total official reserves.

Putting it another way, the gold reserves are well in excess of the central banks' foreign exchange and special drawing right holdings and whether the United States likes it or not, the metal has been remonetised.

Central bank intervention in the gold markets was extensive under the "gold pool" operation of the early sixties.

However, gold was then $35 an ounce and central banks lost huge amounts of gold to speculators during the currency traumas of the sixties.

Consequently, for more than a decade, central banks have kept out of the gold market.

However in the past year bullion experts such as Paul Bareau, economic consultant for Barclays Bank, Robert Guy, bullion director of N M Rothschild and Sons, and Fritz Plass, bullion manager of Deutsche Bank, have recommended that central banks should re-enter the market as both sellers and buyers.

Mr Guy's view is that central banks should feel free to support the price or sell gold when they believe that the price is high.

He maintains that central bank participation could reduce the volatility in the market and enable banks to shift funds into other assets if it suits them.

By NEIL BEHRMANN
London

Messrs Bareau and Plass have recommended a "crawling peg" system. For example, gold could be allowed to trade within a 10% range – say $475 to $525. At $525 the central banks would sell and at $475 they would buy.

However, if there is enormous pressure on the upside, the new range could be $525 to $575. Similarly, if there is much pressure on the downside from speculative selling, a new range of $425 to $475 could be used for central bank trading.

This is precisely what is happening in the currency markets. Earlier this year the D-mark-dollar range was 1,80 to 1,90.

The Bundesbank and Federal Reserve Bank would buy dollars when the rate hit 1,80 and sell dollars at 1,90. Recently extensive pressure on the dollar pushed the D-mark higher, so the new intervention range is now 1,70 to 1,80.

Some of the Swiss bankers believe that central banks should remain out of the market and allow the price to fluctuate at will.

However, the reactivation of gold could become exceedingly useful in mopping up a large portion of Opec's surplus cash, especially since it is evident that Arab nations and individuals desire gold as a hedge against economic and political uncertainty.

In terms of current market psychology, gold is valued in terms of barrels of oil and on the historic ratio of 16 barrels to one ounce of gold, the metal is worth $384 on the Saudi oil price of $24 a barrel and $480 on the Libyan price of $30.

If central banks apply this ratio they have a basis for gold valuation.

One suggestion is that the central banks could directly swap gold for oil via separate deals. But the disadvantage is that the free market would remain thin and speculators would not part with their gold.

In other words, Western central banks would lose their gold to the Arabs and speculators.

However, this problem could be solved by creating a gold float. Central banks could allocate gold for this float. The float could consist of, say, 2 000 tons, which is less than 6% of the 35 000 tons in central bank vaults.

The float would be similar to a buffer stock. If the price falls to a pre-determined support range the buffer stock manager would buy, and if it rises to the ceiling he would sell.

Sales and purchases would be made through the free market. There would be sufficient supplies for the Arabs because the speculators would find an intervention range much less exciting and hopefully shift to other markets.

In other words speculators, investors and central banks would sell their gold to the Middle East. If there is extensive selling of gold (similar to 1976) central banks could buy the metal. If it does not suit them, they could allow the price to fall to a lower trading range.

Similarly, if there is extensive pressure on the upside, the central bank float manager could stop selling gold and allow the price to find a new level in a higher range.

Profits from trading could be used to smooth out currency fluctuations or as support funds to counter speculation against the dollar, sterling, yen or any other currency.

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by 1970, this figure had decreased to 15,7%, indicating
improved disproportionately to the 'coloureds'. Simil
1 to 4 years of age, during the period 1941 to 1970, th
experience as a percentage of the 'coloureds' had decre
7,1%. It should be noted that the 0 year age specific
higher than the corresponding IMRs. This is because t
the former is the number of live births whilst for the
mid-year populations under one year of age.

Fig. 4 provides an indication of the proportional contr
causes of death to the overall mortality experience of
and African communities.

During the period 1929 to 1970, the whites have shown
of mortality which is classically associated with an i
Infectious diseases have become less important and the
are increasingly related to Cardiovascular and Neoplas
'coloureds' and Africans, however, have a persistently
deaths caused by infectious diseases. The Africans e
mortality which is characteristically associated with
whilst the 'coloureds' appear to occupy an intermediat
whites and Africans, although it is clearly much more
Africans than it is to the whites.

What is of particular concern about the 'intermediate'
'coloureds' is that it would appear to incorporate the
developed and the developing experiences. This becom
Table II which provides a more detailed analysis of th
contributing to the overall mortality of the whites a
form of cause specific mortality rates for defined ag
though cardiovascular diseases are consistently respo
small proportion of the overall mortality of the 'col
indicates that the actual rates for cardiovascular di
similar for both whites and 'coloureds' since 1941.

Clearly, the broad diagnostic categories used in this
certain amount of information. However, because of
classification which have taken place since 1929, it
examine the temporal changes of mortality rates in g
ease categories with rates greater than 5/1 000 app
Table II. It will be noted that the mortality expe

Gold

1 JANUARY 1980 — 15 March 1980.

Gold sails into '80 at a record $524

RDM 1/1/80

79

Financial Reporter

LONDON. — Gold sailed into the 1980s with a verve and a vigour which suggested that it aimed to do to the next decade's predictions what it did to the Jeremiahs of the 1970s.

In London the gold market closed early ahead of the New Year holiday, finishing the year at a record high of $524-$528.

On the last trading day of 1978 gold had finished in London at $226 to $226,75 putting gold's rise this year at about 133%.

Dealers said prices quoted yesterday morning were on a nominal basis, with nearly all trading confined to an active fixing session resulting in a final price of $524.

With the Swiss bullion market closed, gold opened in London at $524, up $14 on Friday's close, and was unchanged at the official morning fix.

"Gold jumped sharply this morning to another all-time high on covering by speculators before the New Year's Day holiday, the Afghanistan situation, and the US-Iran troubles," said a dealer for bullion brokers, Samuel Montagu.

Another dealer said "with no afternoon official fixing for the metal, speculators were buying in case the Afghanistan situation gets worse over the New Year".

The dollar opened higher in London at $2,2230 compared with $2,2345 at Friday's close.

"The dollar kept fairly steady at the outset despite continued US-Russian tension over Afghanistan, and Kuwait's oil price increase," a dealer for Barclays Bank International said.

Foreign exchange dealers said the looming national steel strike brought some nervous selling of sterling yesterday morning.

In Frankfurt, with no new features, the dollar opened up at 1,7260 marks, 20 points higher than the 1,7240 marks at the weekend. In Zurich it was up at 1,5990 Swiss francs from 1,5873.

In Paris, where banks were closed for the holiday, the dollar was quoted at 4,02175 francs, down marginally from Fridays 4,0225 francs.

Hong Kong had set the pace for gold's rise earlier in the day when the international gold price rose to $517 in quiet early trading on local buying interest and short covering ahead of the new year break.

The price rose from a $514/$516 opening encouraged by concern over the situation in Afghanistan and the Middle East. Yeterday's price compared with a $514/$516 half-day close on Saturday and New York's $516,50/$517,50 finish on Friday.

Later in the day, the price rose sharply in Hong Kong to $521/$523.

Dealers attributed the late firming to year-end book squaring and said there were no new factors influencing the market.

In Tokyo the dollar reached 239,85 yen, slightly above Friday's finish of 239,50, but down from the opening rate of 240,50 yen.

Trading was described as particularly thin as the market headed for the three-day new year's holiday.

Silver continued its strength with a 30p rise in the three-month price to a record high of 1 460p. This compares with the previous peak of 1 430p set on the pre-market on Friday.

The latest silver price represents a 160p advance from last week's final afternoon close.

Dealers reported continued speculative support prompted by the record gold price and Middle East unrest.

Gold ends up tops

RDM 1/1/80 (79)

Financial Reporter

GOLD ended 1979 on a high note when it reached $524 in London yesterday morning and was traded up to $528.

Gold goes into the 1980s $489 higher than it was at the beginning of the 1970s.

Trading was described as nervous by London bullion dealers who said speculators were buying gold in case the position in Afghanistan or Iran worsened.

Gold touches $650 as world panics

star 3/1/80 (79)

By Michael Chester, Financial Editor

World bullion markets were in unprecedented turmoil today when gold prices shattered records to touch 650 dollars an ounce as investors tried to find refuge from political crises.

Tensions about United States confrontations in both Iran and Afghanistan turned the gold rush into panic this morning in Hong Kong, where the 650-dollar level was first breached.

Far East dealers suspended operations as US and European investors moved in as profit takers and prices eased back to 615 dollars.

But the price advance restarted later in London and gold was back at 635 dollars this afternoon.

The price explosion began yesterday when gold advanced by a record 41 dollars an ounce in London to reach 567 dollars and the pace became so hot that the Paris market closed its doors.

Stampede

The rush became a stampede when the US decided to recall its Ambassador in Moscow over events in Afghanistan.

Mr Dennis Etheredge, President of the Chamber of Mines, said in Johannesburg today that there was almost a "pre-war psychosis" in the markets now.

He added: "An Australian gold expert has predicted 750 dollars an ounce in three months — but at the present rate the price is going it could well happen in three weeks.

"I had been expecting a correction in the price. But now it is anybody's guess. What was abnormal not long ago has become the norm in the gold price ring."

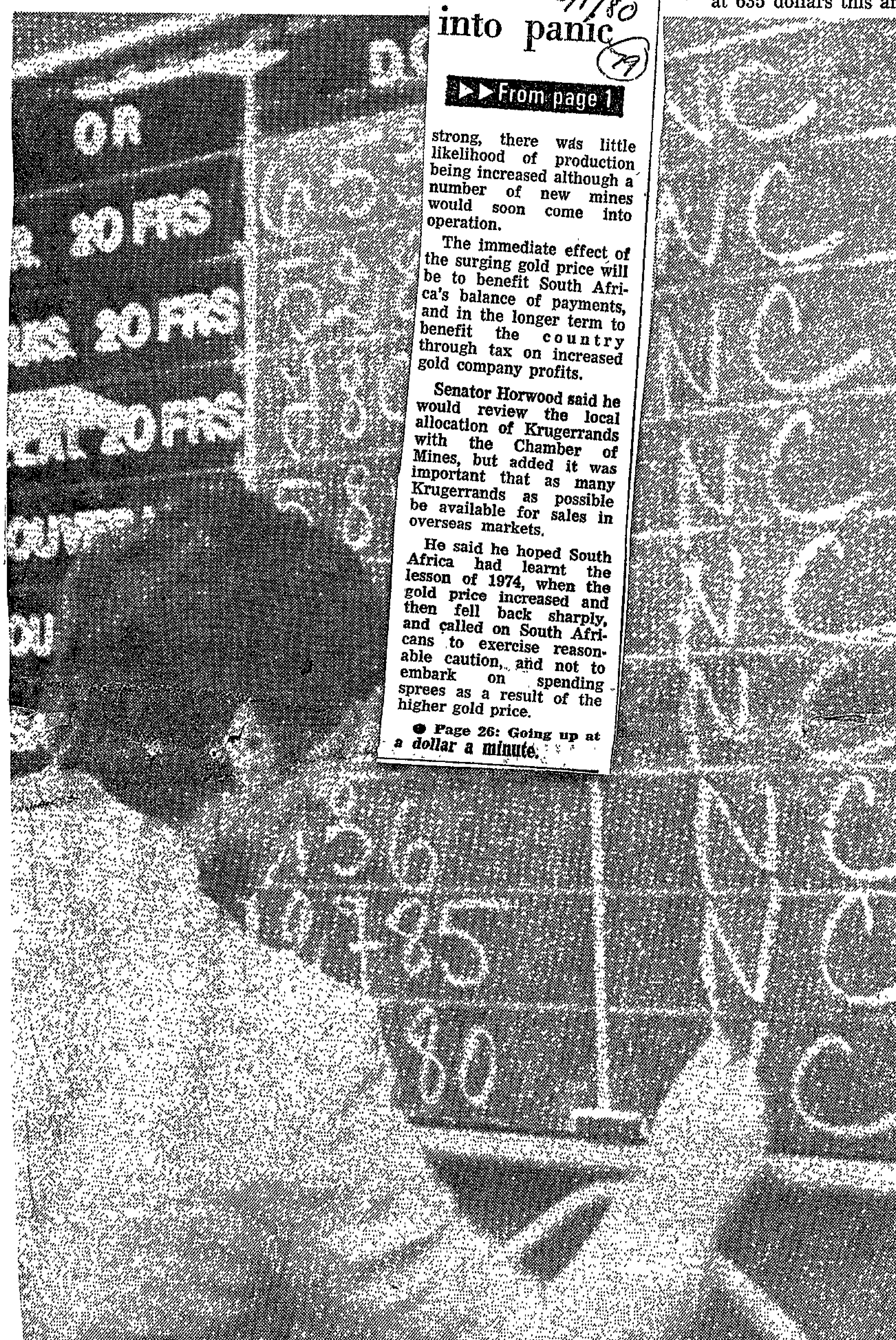
Futures $711

On the New York futures market, which has a significant influence on longer term trends, investors have bid as high as 711,20 dollars an ounce for gold to be delivered in October 1981.

Observers believe that the gold price has got totally out of hand and that dramatic international moves may be imminent to halt the panic. But no-one knows where to find a solution — possibly a new world session of the International Monetary Fund to re-write all the rules about the values of paper currencies to give them better credibility vis-a-vis precious metals.

A remedy is likely to take several months to perfect.

From London, John Cavill reports that one bullion dealer commented: "People have gone crazy — they are acting as if World War 3 is about to break out."



An official of the Paris gold market yesterday signals "no rate" for gold coins. The decision to suspend trading was taken when the 20-franc Napoleon coin, the traditional refuge of small French investors, rated 187,50 dollars against 163,25 dollars on Friday, the last trading day.

Talks needed

South African Finance Minister Owen Horwood said international talks about gold's role in world affairs were needed following the latest gold price surge.

He told Reuters from Cape Town he felt it now more important that such talks should be held. "There is no doubt that in some quarters such talks are felt to be needed," he said.

Senator Horwood said South Africa's position was stronger as a result of the rising gold price.

It was obvious that the world had lost faith in paper money, and in the capacities of major economies to handle political turmoils over the past few years, he said.

Although demand for South African gold was

To Page 3, Col 7

Gold rush turns into panic

Star 3/1/80 (79)

From page 1

strong, there was little likelihood of production being increased although a number of new mines would soon come into operation.

The immediate effect of the surging gold price will be to benefit South Africa's balance of payments, and in the longer term to benefit the country through tax on increased gold company profits.

Senator Horwood said he would review the local allocation of Krugerrands with the Chamber of Mines, but added it was important that as many Krugerrands as possible be available for sales in overseas markets.

He said he hoped South Africa had learnt the lesson of 1974, when the gold price increased and then fell back sharply, and called on South Africans to exercise reasonable caution, and not to embark on spending sprees as a result of the higher gold price.

Page 26: Going up at a dollar a minute.

Gold hovers near $560

(79)

Financial Reporter RDM 3/1/80

THE gold price burst through the $560 mark briefly on the London market yesterday before being fixed at yet another record of $559 an ounce in the morning and $559,50 in the afternoon.

By the close of trading, however, it had started off on another run and was quoted at $560-$565 compared with last Monday's close of $524. Trading in Paris was suspended after hectic morning trading.

Dealers said the latest price rise reflected growing concern over Russian activity in Afghanistan, and the Iranian situation. Fears of further hikes in the oil price were also cited.

Silver and platinum prices also moved to new peaks, while share prices on the Johannesburg Stock Exchange rose sharply.

● See Page 10

Gold rockets to a dramatic high

RDM 4/1/80

79

By PETER BAYER

THERE was pandemonium and panic in bullion markets throughout the world yesterday when the gold price rocketed to unprecedented heights.

In London, the price was fixed yesterday at $634 an ounce — an increase of $74,50 in 24 hours.

As gold broke the $600 barrier, these significant points emerged:

● The price of gold has gone up by nearly $600 in 10 years;

● Gold has more than doubled its price since it broke the $300 barrier in July last year;

● South Africa, which earns R200-million for each R10-an-ounce increase calculated over a year, can almost certainly expect further personal tax relief in this year's Budget;

● Gold share prices at the end of trading on the Johannesburg Stock Exchange were mixed yesterday amid growing uncertainty that the bullion price could maintain its upward momentum. Of the producers Western Holdings added 110c and Free State Geduld 100c. But Hartebeestfontein lost 350c and West Driefontein 300c. The value of shares traded yesterday — R26 001 267 — is thought to be a JSE record;

● Stock exchange experts predicted a further steady gold price climb and some even suggested the price would reach $1 000 by the end of the year.

Balancing the good news yesterday were these warnings:

● From Senator Owen Horwood, Minister of Finance — that South Africans should not go on a spending spree similar to that of 1974, before the price fell back;

● From economic experts — that part of the reason for the soaring price of gold was world financial and political sickness;

● From Mr Harry Schwarz, Opposition spokesman on finance — that careful planning would be needed to avoid further inflation; and

● From stock exchange experts — that gold was "vulnerable" because of panic buying.

Earlier this week, trading in Paris and Hong Kong was suspended when the gold price reached $581 and $561 respectively.

Sen Horwood said in a statement yesterday the world had lost faith in paper money, and in the capacity of major economies to to handle political turmoil over the past few years.

He added it was unlikely that gold production would be increased, although he confirmed that several new mines would be coming into operation shortly.

In urging international talks on gold, Sen Horwood said South Africa's position had been strengthened by the rise.

In the long term, the country would benefit through tax on increased gold company profits, and the immediate effect would be a booster to South Africa's balance of payments.

The situation of Krugerrands — which sold in New York at $600 this week — would be reviewed, but it was important that as many Krugerrands as possible be made available to the overseas market.

There was a lesson to be learned from 1974, when gold increased, then fell back. Sen Horwood advised South Africans not to embark on spending sprees as a result of the higher gold price.

The President of the JSE, Mr Richard Lurie, was optimistic, and said he expected the gold price to "rise substantially". However, he said he could not forecast the ceiling, describing it as "vulnerable".

Meanwhile, JSE dealers speculated that gold would eventually reach $1 000.

JSE sources said Sen Horwood was likely to look for increased business confidence by stimulating the economy with tax reductions.

The sources said company tax could feasibly be reduced to 40%, with a maximum personal tax rate of 50%.

They also expected loan levies would be abolished, and increased Government spending on fuel projects — including the announcement of Sasol 4.

Mr Harry Schwarz agreed that the future of the gold price depended on the Middle East.

"Much depends on the situation in the East — the threat of a developing war situation, the stabilisation of the oil price and the inflation growth in the West, particularly the United States."

Mr Schwarz said the increase had improved President Jimmy Carter's position, and that Mr Carter had handled the situation in the Middle East well.

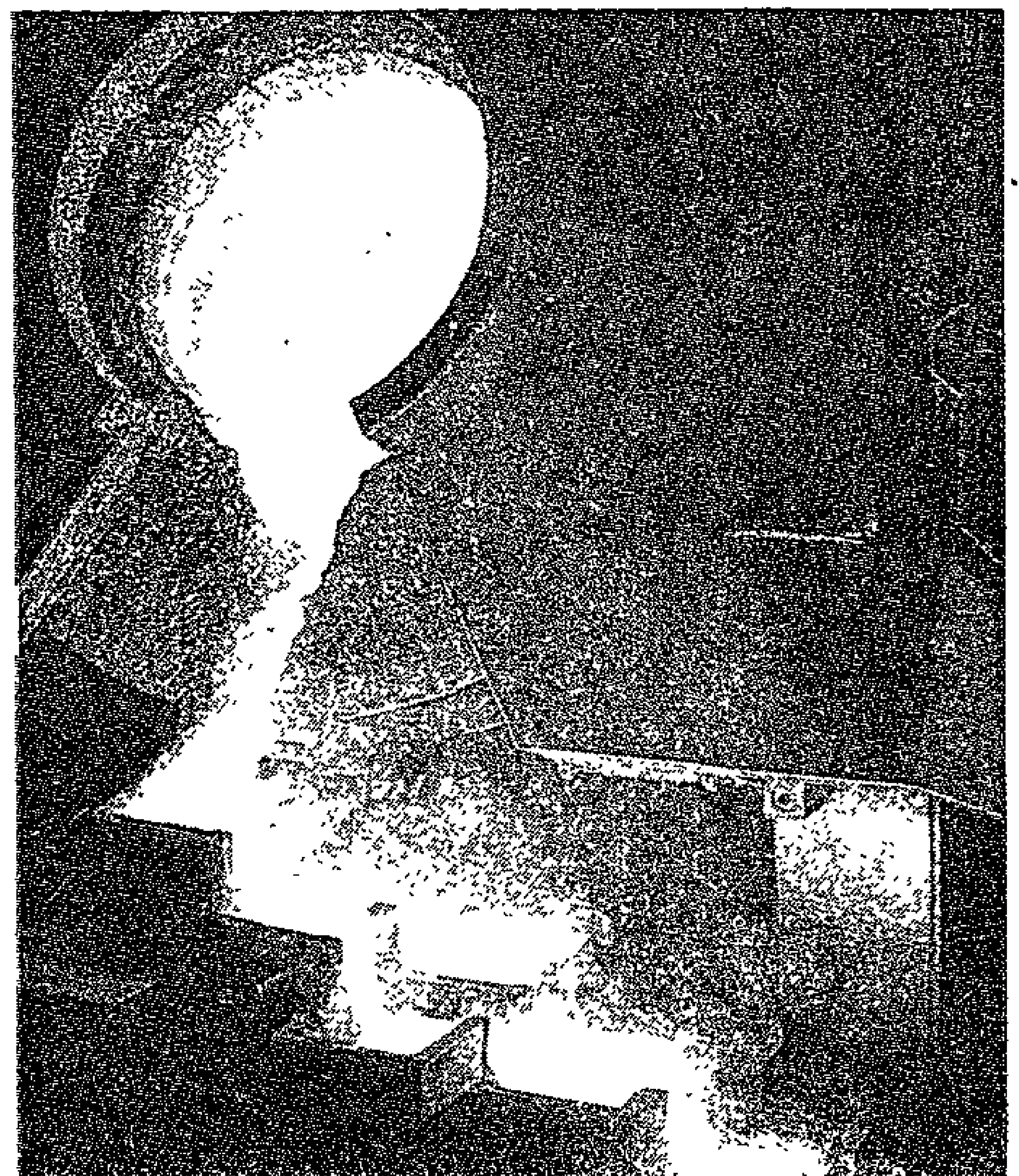
Mr Schwarz concurred with Sen Horwood in warning against South Africans becoming euphoric over the price rise.

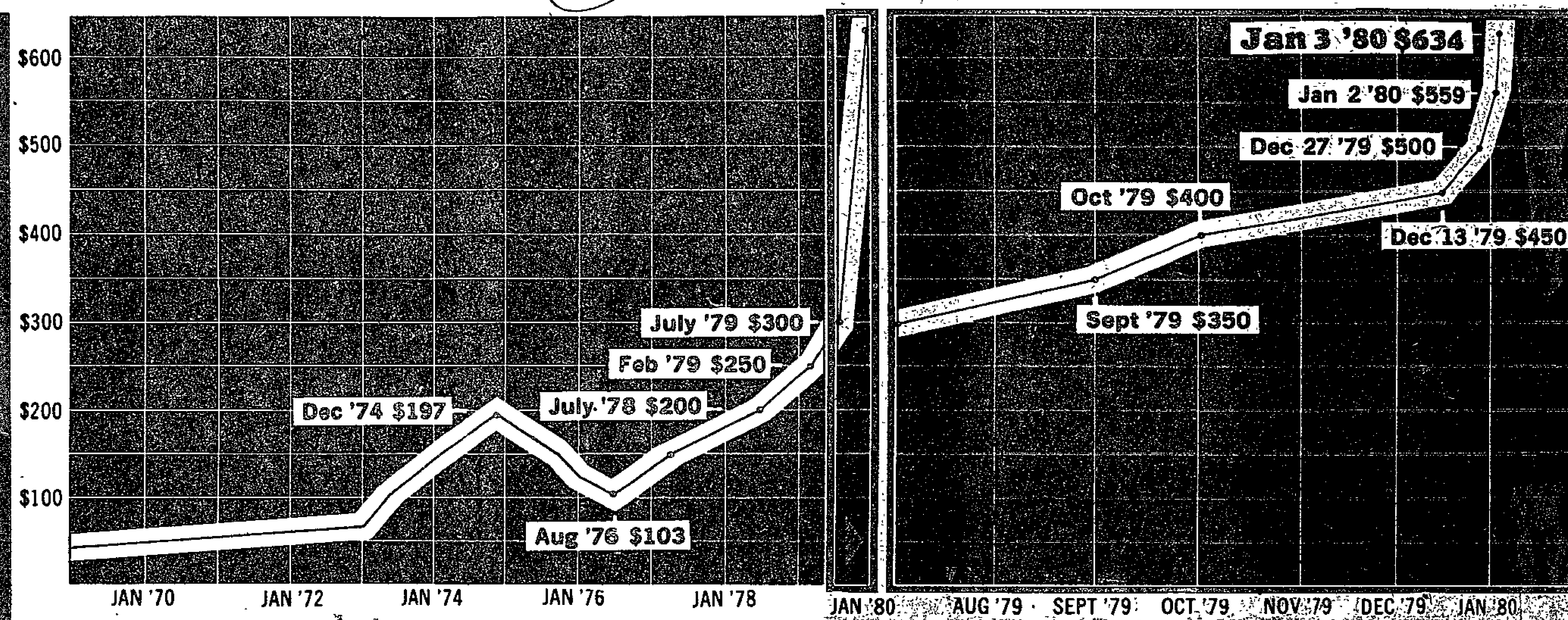
He said the rise was the result of panic buying, with the West having fears about instability in the Middle East and the danger of a major war.

There would be great advantages to South Africa if the price could be maintained, Mr Schwarz said. Tax concessions would be granted more readily and the high liquidity rate would lead to a drop in interest rates.

However, he said, inflation would be aggravated.

He said the economy would have to be planned carefully as there could be no guarantees on future gold prices. He said he would like to see any benefits passed on to the public, particularly the poor and pensioners.





How the price of gold has soared during the past 11 year. The graphic at left shows the overall increase since 1969. And the graphic at right shows the even more dramatic rise during the past six months.

A breakdown in the gold price over the past few years shows that with the exception of a period between December 1974 and March 1977, the rise in bullion prices have been a steady climb, culminating in the recent meteoric surge.

The December 1974 price averaged $197 but plunged to $103 in August 1976. Almost two years later, the price was around $200.

From there, gold "took off" and has risen by $134 in one week.

Last year, South Africa's foreign exchange earnings from gold amounted to R5,6-billion, with the State receiving R1,4-billion in tax from the this.

The price of gold burst through the $600 barrier for the first time on the Hong Kong bullion market yesterday, with a closing price of $627, Sapa-Reuter reported.

● Other precious metals have followed gold's lead, with silver making a record $38 an ounce in Europe and platinum fixed yesterday morning at a record $805 an ounce.

(79) (49) FM 4/1/80

TREASURY'S MILLIONS

Unwind or bust!

Financially for SA the New Year could hardly have kicked off on a sweeter note. As the gold price soared to \$560/oz by midweek the smiles round Church Square were broadened by considerably more than champagne.

The real significance of the latest surge in the bullion price is the extra boost it should give to Finance Minister Owen Horwood's confidence as he decides how best to distribute the overflow from 1979, which hopefully he will accomplish in the form of tax reductions in March

The value of SA's net gold output, which amounted to R3 987m during the first three quarters of 1979, is estimated at around R5 880m for the full year, thanks to an average price of about \$415/oz during the last quarter The average price for the year was approximately \$305

The buoyant price during 1979 meant that, despite the physical volume of production being only marginally higher than in 1978 — estimated at about 21.9m/oz last year compared to 20.9m/oz in 1978 — the value of net gold output was nearly 60% higher than in 1978 (R3,7 billion)

Gold experts calculate that Treasury's share of the bonanza will amount to no less than R1 400m in fiscal 1979/80, on top of which must be added Reserve Bank sales following its repurchase of earlier gold swap agreements. In the latter case, the sum is guesstimated at around R200m This means that Treasury will probably see its budgeted revenue from gold — about R750m — more than doubled.

The question is, to what extent will Horwood channel a sizable portion of this new found wealth through to those sectors in the economy which are most likely to generate maximum economic growth?

Certainly, judging by his reputation for fiscal and monetary conservatism, a large chunk will probably be stashed away in a stabilisation fund. But it would be a grave mistake to overplay the need for caution while the economy is on the threshold of high growth That would be burying the talents.

The most important area Horwood needs to consider is private consumption expenditure. Since it accounts for roughly 60% of total expenditure, the extent of relief granted to consumers by way of tax cuts this March will have an enormous impact on overall economic activity

Some of the more pessimistic observers think it unlikely individuals will benefit by much more than about a 5% average cut However, others say they are confident of at least an average 10% reduction

Naturally, a higher level of aggregate demand must filter through to manufacturers and industrialists, encouraging them to invest more in expanding their plant capacity. But economists emphasise that, if government is serious about boosting private sector investment, there must be tax cuts right across the board. A revision of the gold mines' tax formula is long overdue, including perhaps higher capital allowances. Mining men insist this needs urgent attention if new, lower grade mines are to be developed

Moreover, the loan levy could happily be abolished, while there no longer seems to be any reason to maintain the 7,5% import surcharge, particularly since its inflationary impact is considered to be quite substantial. And, while boosting demand, Horwood must go all out to reduce the inflation rate

Of course, there are numerous other major capital projects, notably the electrification of Soweto, black housing and schools, to name only a few, which would pay handsome dividends in terms of longer term political stability were they to benefit by substantially higher Treasury outlays.

But if government deems it wise not to push the economic growth rate much beyond the 4,5%-5% level, in which case Treasury should see a big build-up in unutilised funds, then every effort should at least be made to ensure that these funds earn the maximum possible return. This, suggests Barclays Bank in its December Business Brief, may entail allowing the banks to place such funds in dollars or sterling investments overseas, which would also be another important step in removing exchange controls.

The country is on the threshold of tremendous opportunity There is more to be gained at present from a bold fiscal stance than from timidity.

GOLD REPORTS

(79) Xu 4/1/80

Confidence continues to grow

If gold is merely a reflection of the world's economic and political prospects, 1980 promises to be a rough year for almost every country apart from SA. And if the New Year's preliminary gold price indications are anything to go by, Comex speculators who bought gold at $650 for 12 months forward delivery could be set for some substantial gains.

Of course, all bets are off if several miracles occur and the world's problems are resolved. But does anyone believe that the US can re-assert its influence in the Middle East; that Ayatollah Khomein will cease using mob incitement as an instrument of government policy; that Russia will easily withdraw from Afghanistan and remove the threat of Soviet domination from the area; that South East Asian nations will believe that the Vietnamese empire is not still in an aggressively expansionist mood; that oil prices will stabilise; and that recession-inflation can be brought under control in the major Western economies?

Anyone who does believe in miracles has a strong tide to swim against for the next few years. And if he backs his views by taking a short position on gold, then he risks being wiped out.

There are simply too many negative factors operating in today's world for the flight into gold and other assets to reverse overnight. Confidence in paper currencies received a body blow when the US froze Iranian deposits with its banks, while confidence in other currencies can probably only be re-instated if central banks re-activate gold's monetary role.

If anything, it is the latter which will serve to underpin bullion. And it is a move which could gain increasing support this year as finance ministers grapple with their countries' economic problems.

Though gold mine chairmen still preface their comments on the industry's prospects with the usual gold price *caveats*, there are few who apparently believe that bullion will ever again be quoted below $400. And it is this confidence that has led to plans for examining and exploiting previously unpay reefs. In addition, higher bullion means that lower grade ore can be exploited on presently mined reefs, thereby improving mining flexibilities. That will become increasingly important if cost increases which are only now showing signs of returning to acceptable levels, are to be contained. Capital costs of new mining projects are now such that unit cost increases cannot be allowed to erode gold price benefits.

COSTS ON THE ESCALATOR

	Cost R/t milled 1978	Cost R/t milled 1979	% increase	Cost R/kg 1978	Cost R/kg 1979	% increase
FS Geduld	26,50	31,90	20,4	2 074	2 614	26,0
FS Saai	22,05	23,82	8,0	6 202	6 931	11,8
President Brand	25,14	28,15	12,0	2 637	2 991	13,4
President Steyn	26,21	28,16	7,4	3 331	3 960	18,9
Welkom	23,56	26,93	14,3	3 868	4 666	20,6
Western Holdings	22,56	25,04	11,0	2 121	2 526	19,1

Western Holdings: Management is at pains to warn shareholders that prospects of mining the Leader reef underlying the lease area are not particularly bright. However, though values disclosed have been low in general, the scale of exploration on the reef horizon is being increased.

It goes without saying that once mining of the Leader reef becomes anything but a minor factor in the mine's operations, grades could fall substantially. On the Basal reef the mine is to all intents and purposes fully developed. There are plans to probe Basal reef beyond the mine's western boundary, but at this stage it is unsafe to assume that this will result in anything more than a marginal addition to reserves.

Probably exercising management's mind is how to make the most of the mine's remaining high-grade years. Cash flow is adequate, even if gold falls well below present levels, to fund other developments, and it is not inconceivable that funds will be channelled to developing the Erfdeel/Dankbaarheid block to the north of Free State Saai. If so, exploitation would probably be carried out in conjunction with FS Saai and/or Welkom with Western Holdings acquiring an equity stake in the operation.

Free State Saaiplaas: Almost no matter what happens to gold, a start to dividends is unlikely this year. But unless bullion collapses, preliminary dividends could be on the cards during the following year.

To break even on gold alone, an average price of $313 will be required this year. Anything over that can be applied to funding the current year's planned R45m capex.

President Brand: Chairman Dennis Etheredge has nothing new to add on prospects for mining Jonkersrust and Du Preez Leger. But management probably took into account the area's likely potential when it authorised the R125m No 5 shaft project. Even so, the cost of the shaft is so high that it is hard to see why agreement on joint sinking and cost was not reached with neighbouring St Helena. The latter mine will almost certainly require a further shaft within the next few years to exploit the southern part of its lease area and Ongegund.

FS Devels owns the mineral rights on Du Preez Leger and Jonkersrust and will probably be paid for them by an issue of President Brand shares.

Apart from mining developments, the mine is liable for its half share of new loan facilities of R30m to Free State Saai, while on the other hand, capital spending at the JMS should decline relatively quick-

GOLD MINES' PERFORMANCE

	Average t/month milled 000t	Recovery grade g/t	Gold produced kg	Revenue gold Rm	Total profit Rm	Capex Rm	Net EPS c	1978-79 dividend c	1979-80 dividend projection at $450 c	Price c	Prospective yield %
FS Geduld	261	12,2	38 202	268,9	96,2	49,0	452,5	420	750	5 025	14,9
FS Saai	106	3,4	4 376	31,2	24,6	32,7	—	—	—	550	—
President Brand	268	9,4	30 282	212,4	99,1	56,9	210,5	295	550	3 600	15,3
President Steyn	298	7,1	25 425	183,6	54,5	26,6	191,0	182,5	450	3 225	14,0
Welkom	182	5,8	12 569	89,6	19,5	5,7	112,5	110	250	1 075	23,3
Western Holdings	263	9,9	31 265	223,0	61,5	10,5	680,5	645	1 350	6 190	21,8

ly this year and next. Even so, capex will be a major drain on the mine's available funds for the next two or three years, limiting the benefits of higher gold prices. To an extent that should be offset by improved contributions to earnings from the JMS and a start to dividends and loan repayments by Free State Saai.

President Steyn: Establishment of the No 4 sub-vertical shaft should be the mine's last major capex project, though that is expected to absorb the largest proportion of this year's planned R25m capex.

Basal reef mining operations will concentrate increasingly on the south east portion of the lease area and Video. But that does not necessarily mean that shafts serving other parts of the mine will soon become defunct. Especially in the No 2 shaft area, Leader and "A" reef ore is highly payable at current gold prices, though at lower grades than this year's planned 7g/t recovery from Basal reef mining. Next year capex should show a quantum drop and thereafter be pitched at a level sufficient simply to maintain production.

Free State Geduld: At least for the current year milling yields should stabilise. But it will be a temporary phenomenon. As the focus of mining operations shifts towards the mine's northern areas, mill yield must inevitably decline further.

There have been problems in generating additional ore reserves. But provided bullion does not fall out of bed, lower grade ore could be brought into reserves thereby reducing the need for excessively higher development rates which could limit the mine's overall stope extraction states.

Though this year's capex is slated at R92m, a fairly rapid downturn should occur in subsequent years as spending on shaft sinking starts to tail off. Development rates are planned to increase to establish adequate ore reserves in the north of the mine. This will probably result in working costs increasing faster than the industry's average this year. Provided, however, that the gold price is maintained allowing lower grade ore to be included in payable reserves, it may be possible to reduce planned development rates.

Welkom: Chairman George Nisbet warns that much of the mine's accessible higher-grade ore has been extracted and that mining plans and grade cannot be readily adjusted. But this is far from sounding Welkom's death knell. Drilling is proving reef extensions to the north, at current gold prices additional ore tonnages could become available west of the Ararat fault and the full potential of ground east of the No 2 shaft has yet to be established.

And this is only Basal reef ore. Leader reef, which underlies a large part of the present lease area, has only been exploited to a limited extent. Development continues to disclose payable Leader reef, and though this is not likely to be highly profitable on its own, mined in conjunction with remaining Basal reef ore, it could make a significant contribution to the mine's life.

Still to be probed is ground beyond the mine's eastern boundary and the De Bron fault. If payable ore is delineated in the area, it is not inconceivable that it could be exploited in conjunction with other ore owned by Anglo in the area.

After several years, Welkom is now participating in JMS profits, and at a time when some of the project's operating problems appear to be being resolved.

Jim Jones

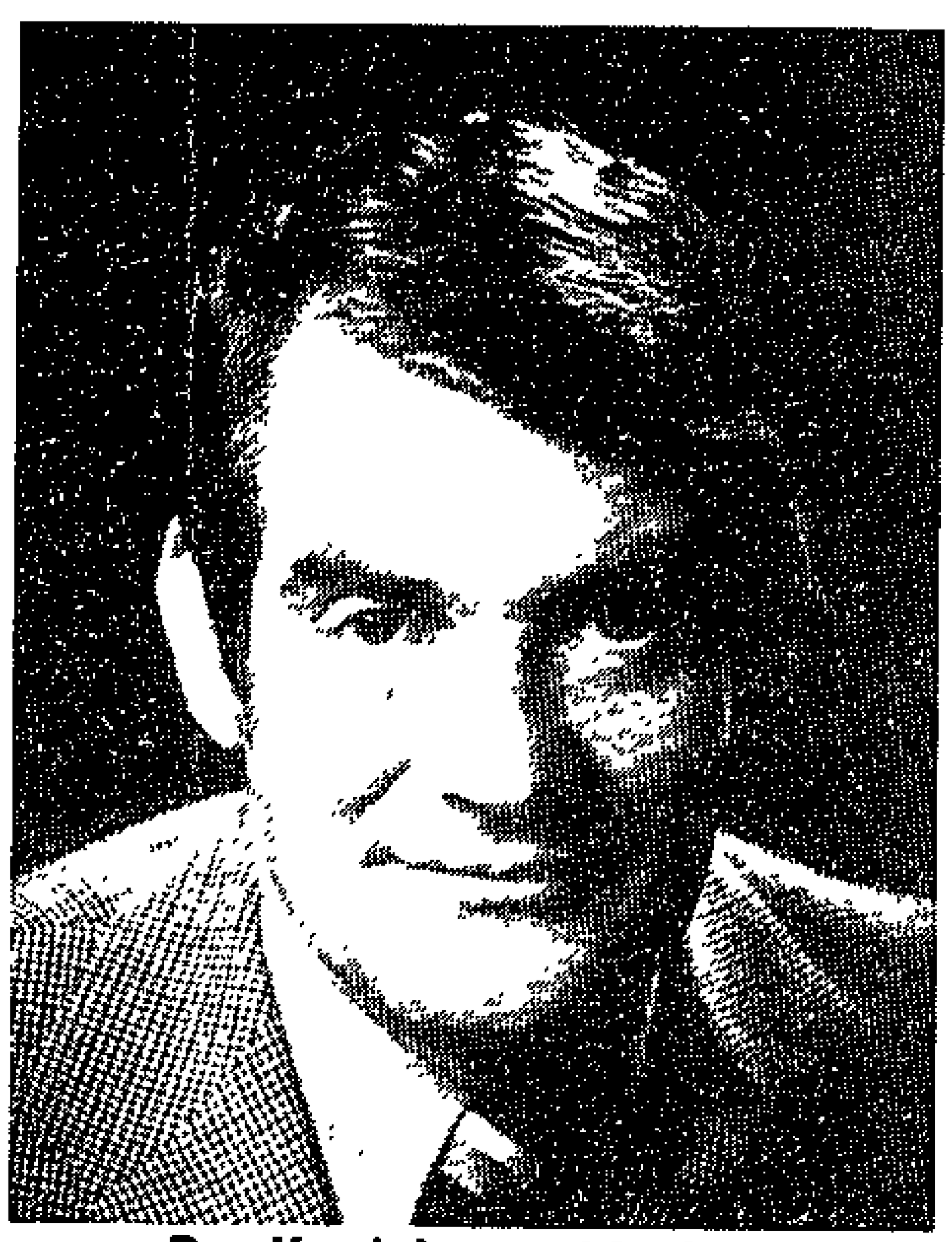
NAMPAK/PREMIER (184) FM 4/1/80

Ensuring supplies

One of the stumbling blocks to finalising the price Nampak would pay for control of Premier Paper (*Fox* November 30, 1979) was the latter's holding of 19% in Rhodesia-based Hunyani Pulp & Paper. This has been neatly side-stepped by Premier's controlling house, African Finance, at what could eventually prove to be a considerable profit.

Basically, AFC has agreed to buy Premier's 4,6m Hunyani shares for R2,1m in cash payable in SA. This is equivalent to roughly 44c per Hunyani share, which had a nav of 109c at the end of June 1978 and which currently enjoys a Rhodesian stock exchange valuation equivalent to 198c SA. On the surface, then, AFC's paper profit is roughly R7m. The rub is just how much of it can be realised and shipped back to SA.

First reaction is that this is too much of a discount for Premier shareholders to accept, even allowing for the sweetener from Nampak which added about 50c to its offer. To forestall any criticism, AFC is to offer those Premier shareholders that feel aggrieved the right to acquire its Hunyani shares at the equivalent cost. This will be on the basis of 226 Hunyani shares for every 100 Premier at a total consideration of R100; and 63 Hunyani for every 100 convertible prefs at R28.



Bas Kardol . . . widening Nampak's base

As far as Nampak is concerned, the removal of Hunyani from the scene has completely cleared Premier's decks. So it raised its offer to 700c in cash for 51% of Premier's ordinary capital. Nor have the convertible pref shareholders been badly done by. They are to get 196c in cash for every 11,3% pref. And, in the interim, Premier has declared a 20c dividend for which existing shareholders qualify.

AFC has accepted Nampak's offer on behalf of its shareholding and has guaranteed to make up any shortfall from minorities to render the deal a *fait accompli*.

As for Premier minorities, Nampak's offer is equivalent to an exit PE of 5,5 and a prospective yield of 6%. This is generous enough to tempt some to take their profits and run.

John White

HULETTS (186) FM 4/1/80

Taking in Hypack

In a further reshuffling of the sugar industry's investments in paper and packaging, S & T, the holding company of Huletts, has agreed to sell its 51% interest in Hypack to Huletts Investments, a wholly-owned subsidiary of Huletts Corporation, for R11,0m. This move gives Huletts full control of the Durban-based Hypack, which operates a paper converter manufacturing paper sacks, balers and bags. It also allows it to expand its existing paper interests, which last year contributed nearly 10% of group pre-tax earnings.

The transaction will be satisfied by the allotment of 2,3m Huletts shares to S & T, valued at 480c, the market price on December 7. So S & T's current 50,0% holding in Huletts will be beefed up by more than 15%. According to the directors, the move will have the effect of reducing Huletts' net worth based on historic cost principles by 5,2c to 310c. If current replacement costing is used, the reduction is 42,6c to 615c. However, the replacement costs of the fixed assets of Hypack exceed the historic value, so a revaluation of the assets will effectively minimise the inflation adjusted 42,6c net worth reduction.

Huletts will enjoy the full benefits of a consolidated Hypack backdated to April 1 1979, except for an interim dividend of R276 000 for the financial year to March 31 1980, which will be repaid by Hypack to S&T when the sale goes through. And judging from anticipated taxed earnings of R2,6m for Hypack this year, the incorporation should benefit the group in the long run. According to the directors, consolidation will have little effect on the historically costed earnings.

Jonathan Bader

London gold slides to $588

RDM 5/1/80

79

LONDON. — The price of gold tumbled sharply yesterday after Thursday's unprecedented surge to close on the key London market yesterday at $588.

Its price had peaked at $658 in a world-wide rush for the metal on Thursday due to fears of political and economic upheavals fuelled by events in Iran and Afghanistan, and rising oil prices.

Most dealers attributed the slump to heavy profit taking and a steadier dollar on European markets.

• The Reuters news agency said yesterday it had wrongly quoted Mr Richard Lurie, president of the Johannesburg Stock Exchange, as saying that he expected the gold price to "rise substantially". What Mr Lurie said was that he was optimistic about the South African economy.

• See Page 3

Around the world the word is gold

RDM 5/1/80 79

LONDON. — In a mood of anxiety, more and more people round the world are buying gold and hoarding it in bank safes, under beds and in garden pits.

But it is not these small investors who are really responsible for the amazing rises in the price of gold which have shaken world markets recently. Some very big operators have been at work.

At one important centre, Zurich, Swiss bullion dealers say it is the big fish of the financial world who are moving to gold.

Dealers in Zurich and elsewhere in Europe point out the oil producing countries have been wanting to diversify from the dollar to soften the effect of inflation on their oil revenues.

The result has been a steady climb of gold values from $35 an ounce to more than $500 an ounce during the 1970's, and the hectic first few days of the decade where gold shot above $630 an ounce.

The important Hong Kong market has seen some lively scenes in recent days. Serious injuries have been avoided because the Chinese traders on the floor only wear soft rubber shoes in case they kick each other in their excitement.

Then on to New York, whose small but important gold market is in the city's commodity exchange, where people scream, shove, shout and wave hats trying to be heard.

New York dealers say most of the demand has been from large buyers, many of them foreign. Some orders are directly from the Middle East.

The present gold fever has begun to take on its own momentum. As one London expert said: "The price is going up because it's going up."

This has attracted the increasing interest of ordinary people, the small investors.

Outside Hong Kong banks, thousands are lining up for application forms to buy the annual issue of Lunar gold coins.

Trinkets, too, are attracting buyers. A woman was seen in Hong Kong choosing a ring priced at 350 Hong Kong dollars (about R58). But she was told before completing her puchase the price had risen to $400.

The obsession with gold jewellery seems to be spreading. A representative of Bloomingdale's department store in New York reports: "We have customers calling constantly, checking on the prices of gold jewellery.

The Europeans have been frantically buying gold coins, although this has been dampened in West Germany where coins are taxed.

In Paris, trading in Napoleon gold coins had to be suspended for a while this week because of the dearth of sellers.

In London's Hatton Garden jewellery area, dealers said many people selling gold jewellery found the price rose in the time it took to weigh and examine the metal for gold.

All this news, of course, brings delight in South Africa, which produces about 60% of the Western world's gold.

The extra revenue pouring into South Africa will pay for all its oil purchases on the expensive spot market and, economic sources say, possibly all other imports. — Sapa-Reuter.

Bredenkamp v. Du Toit, 1924 W.L.D. 15, the conclusion could be drawn either that no interpellatio may be sent before a reasonable time has elapsed, or that a notice of rescission cannot be sent before the debtor is already in mora and that he must then receive a further reasonable time before the contract may be cancelled. It is difficult, however, to draw clear conclusions from these cases on this point, because no distinction was drawn between an interpellatio and a notice of rescission.

The first alternative is obviously not correct although the conclusion that this is the position was arrived at in Strachan and Co. Ltd. v. Natal Milling Co. (Pty) Ltd., 1936 N.P.D. 327 at p. 335, relying on a passage from MacKeurtan, which was misinterpreted. (See Nel v. Cloete, above, at p. 160).

Steyn (p. 109) definitely states that the latter rule applies. This, however, cannot be accepted. There is no reason why a creditor may not combine an interpellatio and a notice of rescission in one document ... on one time. (See Nel v. Cloete, above, at pp. 163- ... there any reason why, in the case where a time for ... en fixed, a creditor should not send a notice before ... ed that it be sent in good time - informing the debtor ... o perform by the time fixed, the creditor shall have ... llation. (See Ponisammy's case, above, at p. 388). Of ... tice of rescission is sent to a debtor already in mora ... reasonable extension of time - the right to rescind can- ... th retrospective effect. (See Ponisammy's case, at p. 387, Foreman and Botha, N.N.O. and Another, 1976 (4) S.A.269 ... notice ... con- ...) a ... an ... , 424 ... bove). ... se, above ... d must ... t v. Fore- ... .L.J. 311). ... sion. A ... the same right given ... act, i.e. a right to cancel. The creditor must elect whether to use this right and must communicate his decision to use it to the debtor. He is not obliged to use it. (See 1970 S.A.L.J. 310; Nel v. Cloete, above, at p.163, Badenhorst's case, above). The expression "notice of rescission" is thus somewhat misleading.

We have already criticized the line of decisions stemming from Federal Tobacco Works v. Barron. In the light of the foregoing discussion it will be realized that these cases were doubly wrong for they (i) allowed a rescission where the defendant was not in mora ex re and had not been placed in mora ex persona and (ii) where no notice of rescission had been given. They held the latter to be unnecessary because time was ab initio of the essence by implication. As I have

unsold and worrying stockpile to Krugerrands and continue that particular revenue.

But it remains a fickle and potentially dangerous situation for gold producers and Reserve Bank salesmen — and both are well aware of the threats.

Chairmen of gold mining companies are still hoarse from the cautions they hammered in 1979: "Beware of slipbacks in the price."

Common sense without doubt — and there have been price slips and pauses — but such stutterings have been obliterated by the space-shot quality of

is it best to quickly exploit untouched and previously unpayable areas? To pump out the old, flooded mines where a great deel of reef was left untouched? To re-equip shafts and, for a start, mine the higher, more easily accessible levels?

And risk huge commitments which could be wiped out by a plunging price if the dollar really gets well in a year or so?

There are even quite a few more little Ergos waiting in the dumps which could be the fastest exploitation of price to get into results.

Even the best-stocked mining

gan, gold stood at $194 an ounce and, on September 30, last year, it was a breathtaking $397.

So, a fortnight ago, with great caution, the chairmen peered into the glass darkly and agreed they expected the outlook for gold price to remain favourable with short-term price fluctuations. Gee whizz!

The chairmen's results show that to maintain earnings and dividends on the same high level for the current financial year, the mines need the following minimum prices levels:

Free State Geduld	$275
FS Saaiplaas	$313
Pres Brand	$282
Pres Steyn	$290
Welkom	$312
Western Holdings	$296

Which leaves an awful lot of change from this week's $650 and the promise of a lot more to come as White House eyeballs Kremlin over Afghanistan, the Iranians continue to follow the mad mullahs, and the oil men cover every bet with as much gold as they can get.

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Move to tame gold flops

STAR 8/1/80 (79)

The Star Bureau

BASLE (Switzerland) — Western Central Bank governors have ruled out from reserves to quell the speculative rush of funds any concerted sale of gold into the metal on the world's bullion market.

The idea, which has been suggested by the Swiss National Bank, foundered when it became clear that it would receive no support from the West German Federal Bank and the Bank of France.

As these central banks have the second and third largest gold reserves in the western world, their agreement was crucial to the launching of a concerted sale.

There was some satisfaction that the gold boom has not, as yet, had a truly adverse effect on currency markets.

One central banker has even suggested that there is no obvious link between gold price movements and dollar stability.

WORRIES

Behind their facades of aloof calm, however, the bankers do have some worries about the gold price rise.

It has led to a dramatic increase in the value of the reserves of those central banks with large gold holdings and this represents a strong increase in international liquidity.

There are also fears that the gold price could fuel an inflationary mentality in the western world. Bankers have been disturbed to see the gold rush extended to the High Street.

Behind the decision not to introduce a concerted programme of gold sales lies a hope that the speculative fever of the past few days will burn itself out and that the price will fall sharply of its own accord to administer a salutary shock to speculators.

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to in paragraph (*b*) was in force.

(3) So long as any trustee under a trust de ... benefit of a **provision** saved by subsection (2) (*b*) or (*c*) the b ... y be given **either—**

(*a*) to all trustees under the deed, presen

(*b*) to any named trustee or proposed tru

by a resolution passed by a majority of not less than ... debenture-**holders** present in person or by proxy at a meeting s ... accordance **with the** provisions of the deed or, if the deed make ... g meetings, **at a meeting** summoned for the purpose in any m ... rt.

124. Power to re-issue redeemed debentures i ... a company **has redeemed** any debentures previously issued, not ... into shares **of the** company, it shall, unless its articles or the ... debentures **expressly** otherwise provide or the debentures ha ... nce of any **obligation** on the part of the company to redeem th ... enforceable **only by** the person to whom the redeemed debentu ... sors in title) **have and** be deemed at all times to have had pov ... live for the **purpose** of re-issue, and, where a company has pu ... wer, it shall **have and** be deemed at all times to have had po ... s either by **re-issuing** the same debentures or by issuing other ... upon such **a re-issue** the person entitled to the debentures sha ... at all times **to have** had the same rights and priorities as if the d ... been issued.

(2) Where with the object of keeping debe ... of re-issue, **they have** been transferred to a nominee of the ... at nominee **shall be** deemed to be a re-issue for the purpose

(3) Where a company had deposited any o ... ances from **time to** time on current account or otherwise, the ... ed to have **been redeemed** by reason only of the account of th ... be in debit **whilst** the debentures remained so deposited.

Gold holdings rise R635m

STAR 9/1/80 (79)

South African gold holdings rose R635,04m in December to R3,68 billion from R3,05 billion in November, the Reserve Bank reports.

Gold reserves were valued at R366,91 an ounce at the end of December compared with R301,94 at the end of November, based on the average of the last 10 London gold fixings, less 10 percent.

The Reserve Bank said in its monthly reserve statement that total reserves, including old, rose R551.77m to R4,03 billion from R3,48 billion in November.

Bills rose R4,13m to R31,16m and investments R5,45m to R39,03m while other assets fell R92,94m to R284,13m.

The reserve Bank indicated spot rate firmed to 1,2107/27 from the previous level of 1,2032/12.

The forward discount was unchanged at five percent. — Reuter.

the relevant deed; or

(*c*) depriving any person of any exemption or right to be indemnified in respect of anything done or omitted to be done by him while any provision referred to in paragraph (*b*) was in force.

(3) So long as any trustee under a trust deed remains entitled to the benefit of a provision saved by subsection (2) (*b*) or (*c*) the benefit of that provision may be given either—

(*a*) to all trustees under the deed, present and future; or

(*b*) to any named trustee or proposed trustee thereunder,

by a resolution passed by a majority of not less than three-fourths in value of the debenture-holders present in person or by proxy at a meeting summoned for the purpose in accordance with the provisions of the deed or, if the deed makes no provision for summoning meetings, at a meeting summoned for the purpose in any manner approved by the Court.

124. Power to re-issue redeemed debentures in certain cases.—(1) Where a company has redeemed any debentures previously issued, not being debentures convertible into shares of the company, it shall, unless its articles or the conditions of issue of such debentures expressly otherwise provide or the debentures have been redeemed in pursuance of any obligation on the part of the company to redeem them (not being an obligation enforceable only by the person to whom the redeemed debentures were issued or his successors in title) have and be deemed at all times to have had power to keep the debentures alive for the purpose of re-issue, and, where a company has purported to exercise such a power, it shall have and be deemed at all times to have had power to re-issue the debentures either by re-issuing the same debentures or by issuing other debentures in their place, and upon such a re-issue the person entitled to the debentures shall have and shall be deemed at all times to have had the same rights and priorities as if the debentures had not previously been issued.

(2) Where with the object of keeping debentures alive for the purpose of re-issue, they have been transferred to a nominee of the company, a transfer from that nominee shall be deemed to be a re-issue for the purposes of this section.

(3) Where a company had deposited any of its debentures to secure advances from time to time on current account or otherwise, the debentures shall not be deemed to have been redeemed by reason only of the account of the company having ceased to be in debit whilst the debentures remained so deposited.

Markets wild

79

STAR 8/1/80

John Cavill, Financial Correspondent

LONDON — Gold, swinging wildly between 650 and 620 dollars an ounce, jumped and slithered yesterday as bullion markets struggled to find their feet amid conflicting rumours.

After reaching 680 dollars in Hong Kong the bullion price dropped sharply in Europe as profit-taking set in — despite rumours of Chinese troop movements near the Afghanistan border.

Fixed at 634 dollars an ounce in London in the morning (equalling the previous record fix) gold dropped to 620 dollars, rose to 633,50 dollars at the afternoon fix but eased to close at 626,50 dollars — a net 36,50 dollars up from Friday's closing level.

Platinum was similarly hit by fluctuations. It topped out just below 800 dollars, collapsed to 733 dollars on a report that the Commodity Trading Commission in the United States was to suspend all precious metals dealings, and rebounded to 750 dollars on the denial of the rumour.

The precious metals had only a little help from currency markets, where the dollar was marginally lower against most leading currencies except sterling.

With the December wholesale price index rising by less than expected and new hopes for a settlement of the steel strike the pound shot up against the dollar to 2,2620 dollars — a net gain of 2,45c.

- NEW YORK — Gold prices rebounded on overseas buying linked to concern over deteriorating US-Soviet relations to close some 14 dollars up on the day at 624/628 dollars.

News that central bankers meeting in Basle had taken no action to limit gold's advance may have prompted some late buying, dealers said.

- HONG KONG — Gold opened today at 634,47 dollars an ounce.

Dealers said many investors and speculators took a cautious attitude in view of price differences yesterday between Hong Kong and European markets.

Central bankers see gold fever abating

79

By NEIL BEHRMANN

Cape Times 9/1/80

LONDON. — At their monthly meeting in Basle central banks decided they would not sell gold from their reserves to curb the speculation in the market.

In the past few months, Swiss National Bank president, Fritz Leutwiler had recommended a plan which would allow the central banks to enter the market to curb the run into gold.

However, his suggestions have not been supported by the German and French central banks and the market will be allowed to fluctuate in terms of free market forces.

Apparently the bankers spent some time discussing the effects of the gold boom on the currency markets. It was noted that gold was having a negligible impact on the currency markets — at least in the short term.

The central bankers believe that untimately speculative fever will abate and the newspapers will be featuring stories on a slumping gold price sometime in the future.

It was interesting to find that in spite of the decision not to sell, the gold price still fell sharply in London in early morning trading before staging a recovery again. Dealers are taking the view that gold was overbought and is due for a correction.

It is interesting to find that the Americans still have not announced an auction and are allowing speculators to bid precious metals prices against themselves in the now very thin markets.

Some dealers believe that the Americans should sell gold to finance the government's intended purchases of the grain which was originally supposed to be shipped to Russia. The US government is to offer to buy and store over 14 million tons of American grain and soyabeans and this could cost the government $2,25 billion. A large proportion of this grain will be used for conversion into gasohol.

Though most people are looking at the pessimistic implications of the Soviet Union and Iranian moves there are definitely optimistic sides of the story.

The first is that Middle Eastern oil powers will be driven into the fold of the US once again. For example, Saudi Arabia has decided to maintain production at 9,5m barrels in the first quarter.

The second is that the political problems will unite the Americans and, finally, the grain programme is forcing the United States into the production of gasohol.

The decision to curtail grain sales to the Russians threw the commodity markets into chaos. Trading was suspended in the New york futures markets. This was an unprecedented move and other exchanges, especially Tokyo, were thrown into panic, with prices marked down to maximum trading limits.

European grain traders anticipate that increased quantities of US grain will be sold overseas at sharply lower prices.

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	[illegible]	9,07	16,92	11,55	29,22	24,78	23,16	22,23
1-4	[illegible]	0,02	0,02	0,02	0,02	0,04	0,04	0,00
5-24	[illegible]	-	-	-	-	-	-	-
25-44	[illegible]	-	-	-	-	-	-	-
45-64	[illegible]	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-
ALL	0,25	0,17	0,48	0,32	0,83	0,67	0,55	0,67
NO.	519	359	170	113	942	785	1143	1075

	M	F	M	F	M	F	B M	B F
0-1	0,02	0,03	0,00	0,10	0,25	0,10	0,04	0,06
1-4	0,01	0,01	0,02	0,00	0,12	0,14	0,02	0,04
5-24	0,02	0,01	0,04	0,04	0,02	0,04	0,03	0,02
25-44	0,02	0,05	0,06	0,09	0,17	0,13	0,06	0,08
45-64	0,23	0,19	0,44	0,37	0,36	0,36	0,34	0,25
65+	1,25	1,09	1,07	1,83	1,57	1,10	0,73	0,56
ALL	0,13	0,15	0,11	0,12	0,15	0,14	0,10	0,08
NO.	276	303	38	42	169	165	203	130

	W M	W F	A M	A F	C M	C F	B M	B F
0-1	0,17	0,08	0,10	0,21	0,78	0,29	0,49	0,48
1-4	0,01	0,01	0,00	0,00	0,07	0,10	0,05	0,05
5-24	0,02	0,01	0,03	0,01	0,04	0,03	0,05	0,05
25-44	0,11	0,09	0,39	0,10	0,41	0,19	0,23	0,22
45-64	0,92	0,42	1,60	0,72	1,31	0,67	0,80	0,68
65+	1,80	1,16	1,61	2,44	1,91	0,75	1,44	0,91
ALL	0,31	0,21	0,33	0,16	0,33	0,17	0,25	0,20
NO.	653	430	116	56	370	201	533	329

the South African population from all causes of death. The proportional contribution of the seventeen major disease categories of t[illegible] International Classification of Disease (8th revision) to the overal[illegible] [illegible]rtality of the various communities is summarised in Fig. 5. T[illegible] [illegible]ites show a typical 'developed' country spectrum of mortality wit[illegible] [illegible]fectious and Parasitic Diseases being of minor importance (2,0%) ar[illegible] [illegible]eoplasms (15,6%) and Diseases of the Circulatory system (50,5%) being of ma[illegible] importance. For urban Africans and 'coloureds', Infectious and Parasitic Diseases make an important contribution to the overall mortality (19,5% and 23,5% respectively), with diseases of the respiratory system and certain causes of perinatal mortality also being of importance. Within the category of Infectious and Parasitic Diseases, diarrhoeal diseases and tuberculosis are the most important causes of mortality. The 'coloureds' experience an interesting combination of 'developed' and 'underdeveloped' mortality with a high death rate from enteritis and diarrhoeal diseases in the young and circulatory diseases in later life. What is also of interest is the relatively large number of symptoms and ill-defined conditions, particularly in the African community (22,5%). This provides some indication of the provision and utilisation of medical services to Africans in the urban areas. In general, the Asians have a spectrum of mortality intermediate between the whites on the one hand and the 'coloureds' and Africans, on the other.

Clearly, the presentation of the cause specific mortality data as proportional mortalities conceals a certain amount of information. Table I provides a more detailed analysis of these data in the form of cause specific mortality rates for defined age groups by sex, in the white, Asian and 'coloured' communities.

If the mortality rates (Table I) are compared with the proportional mortalities for the seventeen major disease categories (Fig. 5), it will be noted that despite the relatively minor proportional contribution made by circulatory diseases in the 'coloured' community, the actual rates for these diseases are higher than those of the whites. The reason for this apparent inconsistency is that the mortality rates for Infectious and Parasitic Diseases are so high that they effectively swamp the proportional mortality of the Circulatory Diseases in the 'coloured' community. In the white community, the mortality rates for most causes of death are so low, the importance of the Circulatory diseases become disproportionately exaggerated.

Mortality rates greater than 5/1 000 appear in italics in Table I. For all of these major causes of mortality, the Asian and 'coloured' mortality rates exceed those of the whites.

However, in this context, what requires emphasis is that by using the major disease classification a certain amount of detail is lost. For example,

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women have the highest mortality rates for respiratory, circulatory, digestive, genito-urinary and ill-defined causes of death (Table I) may contribute to this anomalous situation.

Fig. 7 summarises the percentage improvement in the expectation of life at birth subsequent to the total elimination of the mortality associated

Cape Times 9/1/80

GOLD $617 79

LONDON. — Gold closed at $614,00-620,00 an ounce, $13 below its opening $625-635, after fluctuating between a low of $590-600 and a high of $630,00, dealers said.

Closing prices

(In $ an ounce)
London:
617,00
Fixing am: 615,75
Fixing pm: 614,00-620,00
Zurich:
605-615 (610-620)
Newark:
Engelhard
Unfabricated: 611,50 (633,80)
Fabricated: 632,90 (655,98)
New York:
Handy and Harman
610,00 (634,00)
Beirut:
$610,75 (634,25)

— Reuter

Reserves soar 551m

PRETORIA. — South Africa's total gold and foreign assets increased by R551 667 191 last month and stood at R4 034 529 894 on December 31, 1979, according to the monthly statement by the Reserve Bank.

The gold holding alone increased by R635 042 489 to R3 680 165 018.

The gold reserves as shown in the monthly statement of December 31, 1979 have been valued at R366,91 per fine ounce compared with R301,94 at November 30, 1979.

Foreign bills increased from R27 033 000 to R31 163 157 and foreign investments from R33 588 521 to R39 025 294, but other assets dropped from R377 118 652 to R284 176 425.

Government deposits dropped from R395 402 360 to R377 830 277 but deposits by provincial administrations increased from R68 298 472 to R83 709 057.

Notes in circulation increased from R1 621 456 016 to R1 630 319 189.

The ratio of gold reserves to liabilities to the public, less foreign assets, stood at 77,7 percent on December 31, compared with 77,0 percent on November 30, 1979. — Sapa

TABLE II

	WHITE		ASIAN		COLOURED		BLACK	
	Male	Female	Male	Female	Male	Female	Male	Female
Rheumatic Heart Diseases (390-398)	115 1.2%	121 1.5%	28 2.5%	15 1.9%	120 3.9%	139 4.4%	49 2.1%	56 2.9%
[illegible]	212 2.2%	389 4.9%	115 10.1%	127 15.8%	190 6.1%	276 8.8%	273 11.4%	212 11.0%
[illegible] 14)	5737 58.8%	3118 39.3%	537 47.3%	246 30.6%	845 27.1%	566 18.0%	148 6.2%	66 3.4%
[illegible] 38)	1587	2181	273 [illegible].1%	239 29.7%	939 30.2%	1278 40.7%	772 32.3%	749 39.0%
[illegible]	[illegible]	[illegible]	[illegible]5 [illegible]0%	804 100%	3114 100%	3140 100%	2390 100%	1921 100%
Motor Vehicle Accidents (E810-E819)	750 38.0%	287 42.4%	122 36.6%	28 26.9%	572 26.3%	161 24.7%	282 15.1%	59 18.2%
Suicide (E950-E959, E979) *	485 24.6%	104 15.4%	42 12.6%	13 12.5%	84 3.9%	18 2.8%	76 4.1%	11 3.4%
Homicide (E960-E969)	59 3.0%	41 6.1%	41 12.3%	2 1.9%	680 31.3%	167 25.6%	806 43.1%	89 27.5%
Total Accidents, Poisoning and Violence (E800-E999)	1973 100%	677 100%	333 100%	104 100%	2175 100%	652 100%	1868 100%	324 100%

* E979 "Suicide and self inflicted poisoning by motor vehicle exhaust gas" is a code used in South Africa which does not appear in I.C.D. (8th revision). See Ref. 13.

CAPE TIMES 9/1/80

(79)

Profit-taking checks gold rise

By GEORGE SHORT

LONDON. — The price of gold fell back, fluctuating widely, and the dollar gained some lost ground yesterday on world markets which were calm in contrast to the panicky rush for gold of recent days.

Gold was fixed on the London bullion market yesterday morning at $615,75 an ounce.

Although many market operators were still regarding gold as a safe haven in times of international tension and economic uncertainty, profit-taking appeared to have stemmed the force of the recent price-surge, dealers said.

The gold price fluctuated before the London fix from just under $600 an ounce to about $630.

Gold finished at $632 in Hong Kong earlier yesterday, on a market reported as much calmer.

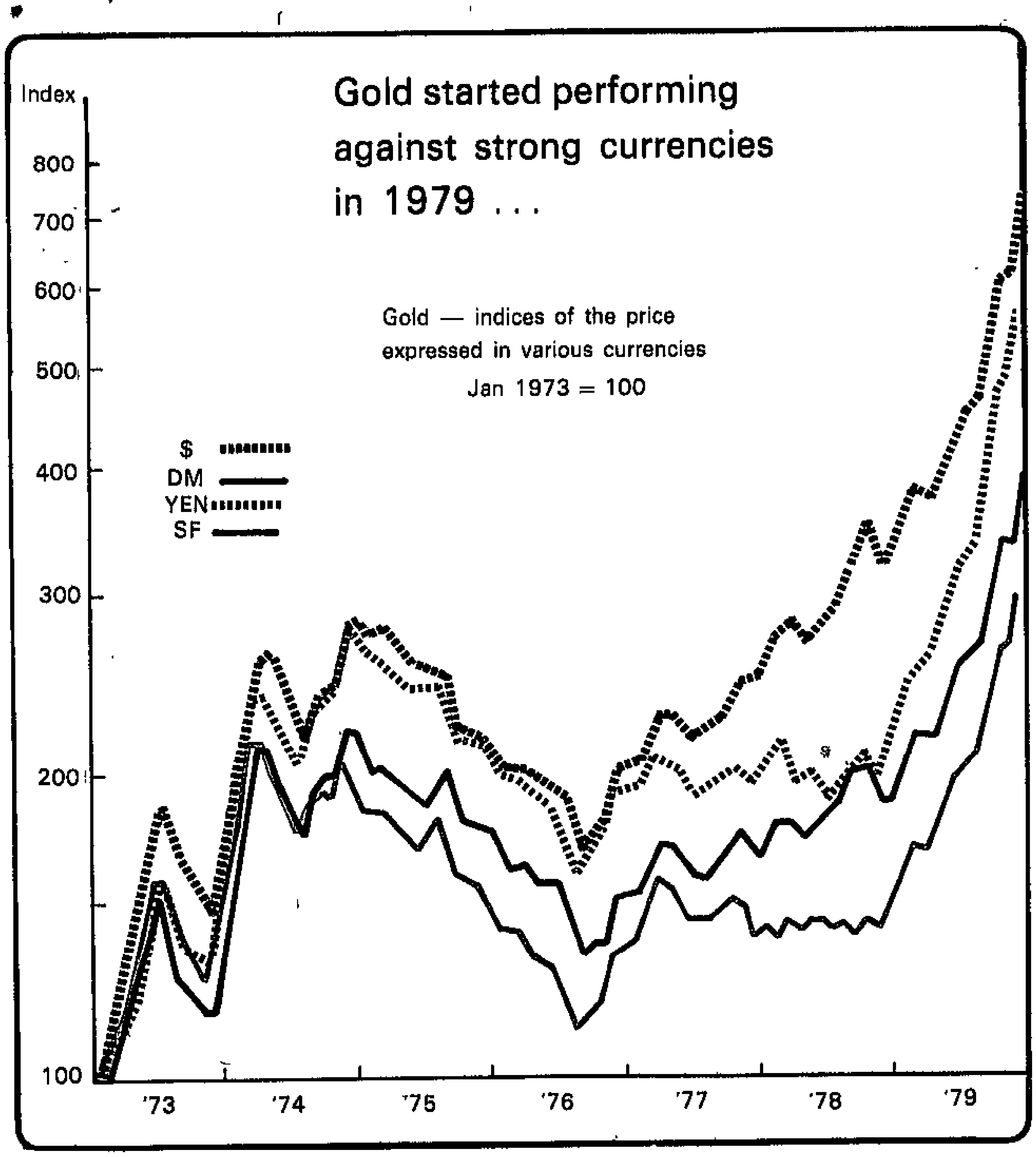
The dollar benefitted from the calmer atmosphere while the pound fell because of news that the latest talks aimed at ending Britain's steel strike had failed.

The pound traded at $2,2535 compared with $2,2620 in Europe on Monday.

The dollar traded at 1,7165 West German marks (compared with 1,7080 on Monday), 1,5780 Swiss francs (1,5697), 4,0290 French francs (4,0080) and 233,65 yen (231,70).

European gold markets were still nervous over the possible effects of the curbs announced by President Carter on US grain exports to the Soviet Union.

This could cause a further sharp reduction in Soviet gold sales this year, according to bullion market experts. They said it seemed likely that the Soviet Union had already sold enough gold to pay for the cancelled grain purchases. — Sapa-Reuter



come inured to them, in which case the effect will be much the same.

But, even if security factors have less of an influence on gold, the economic factors which were responsible for much of bullion's early advance in 1979 could become increasingly important this year.

Last year, the one move which, more than anything, reduced confidence in currencies was the US's politicisation of the dollar through the freezing of Iranian deposits with US banks. Despite recent Iranian requests that it be allowed to withdraw deposits with UK banks, the UK government has not yet reacted as defensively as the US. Iranian deposits in the UK are largely short-term and, for the moment, the Bank of England is insisting that they must run their full term, though withdrawal will not be prevented as and when deposit maturities arrive.

The UK, not having hostages at stake, is taking a more sensible view on Iranian deposits than the US, feeling, probably correctly, that even if deposits are withdrawn they will be re-cycled through the Eurocurrency market. It is a move which could, at least partially, restore confidence in currencies.

There is no way that gold prices can fall substantially and permanently until there is greater confidence in currencies. But that probably cannot be achieved without a positive re-activation of gold's monetary rôle. Last year, it has been estimated by several London analysts, Opec surpluses amounted to about $50 billion, of which some 10% was diverted into gold holdings. This year, following the new oil pricing arrangements announced in the last couple of weeks, Opec surpluses should run at around $100 billion. And estimates are that anything up to 30% could be channelled into gold, depending on events.

The major Opec surplus countries, such as Saudi Arabia, realise that higher oil prices threaten the West's economic fabric and *inter alia*, their Western investments. But the Saudis, especially, remain unimpressed by US assurances that their deposits in US banks are not threatened in the same way as the Iranians'.

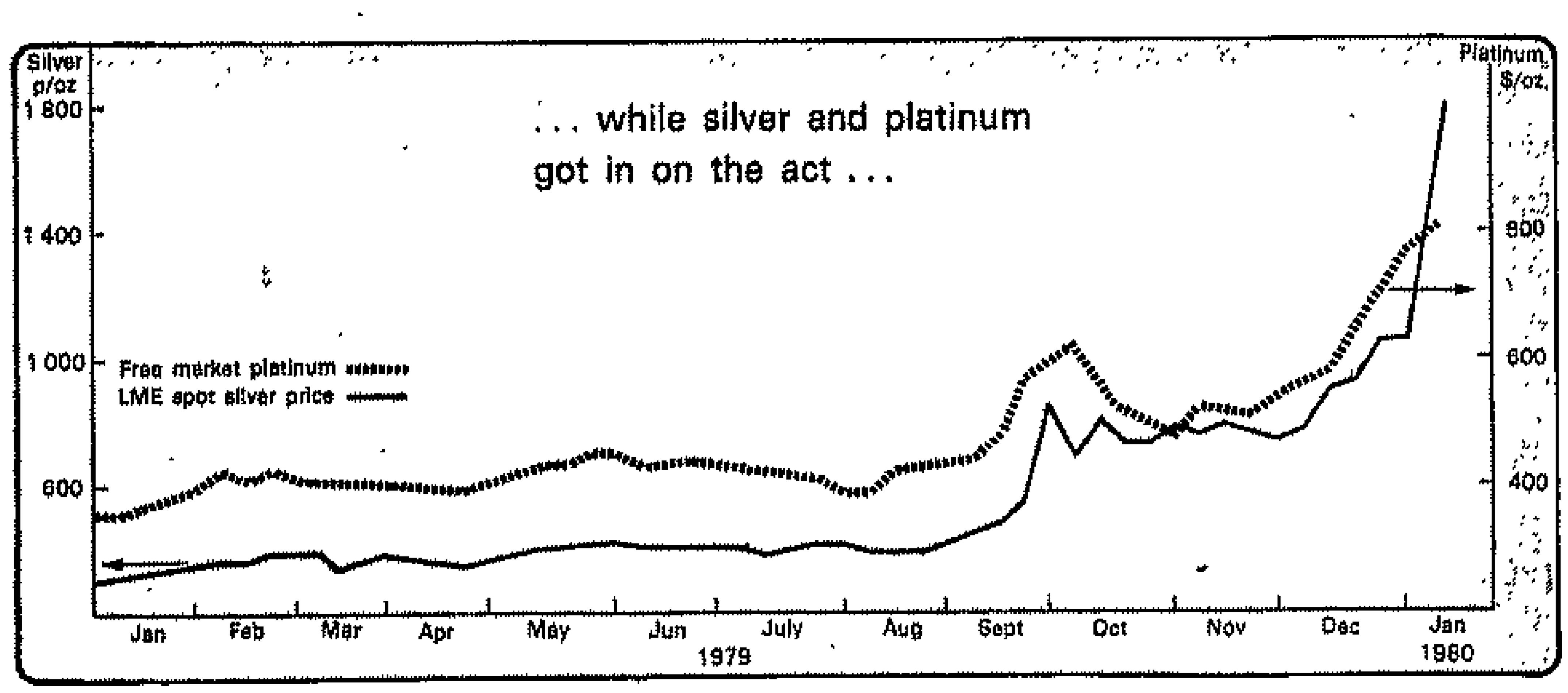
Gold is non-political — you can sell it almost anywhere — while dollar deposits are now subject to the whim of US presidents. The same suspicion does not affect European currencies to the same extent. In part, that is probably due to the fact that the Europeans have mobilised their gold reserves as part backing for the ECU, even though gold still remains an untraded part of reserves.

In June, when the planned Western finance ministers' meeting takes place, it is reasonably safe to assume that the Europeans will pressurise the US to adopt a realistic pricing structure for its gold reserves as a move towards stabilising the dollar. After all, at current prices, gold comprises something over 90% of US reserves and, at something over $1 000, the US could theoretically restore full convertibility A US reinstatement of gold's monetary rôle would place an effective floor price under bullion. While that in itself may not be palatable to the US Treasury, it would allow the country greater flexibility in resolving its economic problems. And it could well help preempt further withdrawals of dollar deposits.

Until the early past of 1979, gold's performance largely mirrored the dollar's woes. In Dmark and SwFr terms, the gold price declined between 1974-79 (see chart). Through 1979, gold appreciated rapidly against all currencies and that sort of "instability" is simply unacceptable to central bankers. Hence the expected pressure of the US to participate in gold's remonetisation.

Old dogs rarely learn new tricks, but gold's performance of the past few months has taught some Comex speculators expensive lessons. Part of the rise since the start of 1980 has been prompted by covering of previously established short positions. But an effective remonetisation of bullion should result in greater stability in the increasingly important futures markets and lessen their short-term "destabilising" influences.

The past few weeks have seen what can



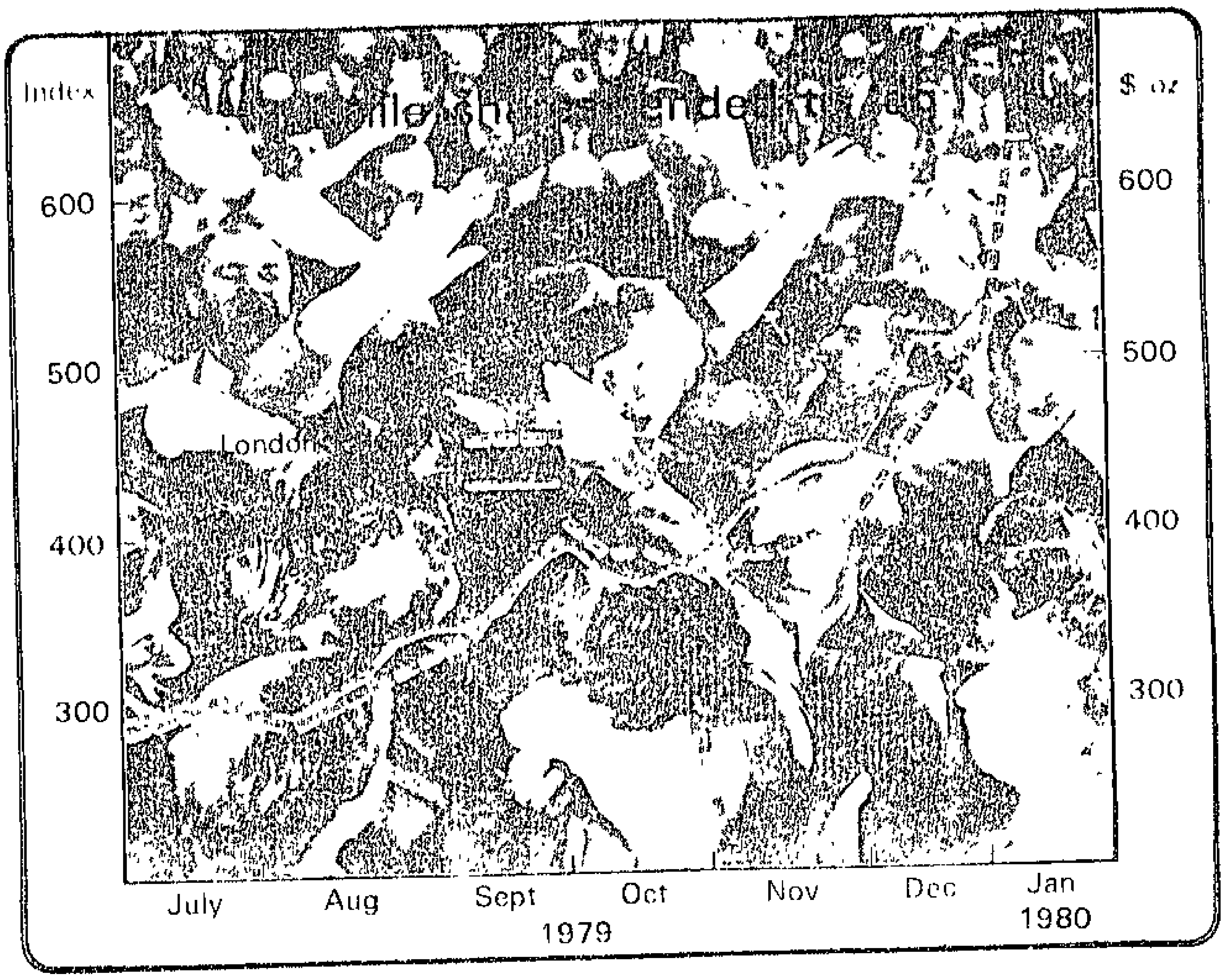
only be described as a mad scramble into anything but currencies. At the start of 1979, free market platinum was quoted at just less than \$350/oz. By the first week of this year, it had peaked at \$840 before falling back to its current \$770. The silver story was much the same. At the start of last year, it was quoted at just less than 300p/oz and reached six times that figure in early trading this year.

Though both metals, to an extent, reflect gold's moves, they cannot be taken as certain barometers of gold. Free market platinum is an extremely narrow market, with the bulk of the world's demand being satisfied at the producer price (currently \$420). Silver, if New Yorkers are to be believed, has performed well recently largely as a result of dealings by market operators.

What this means is that buyers could burn their hands more easily in silver and platinum dealings than in gold.

Whether or not the same will apply to gold share investors is another matter. At the start of last year, the *RDM* gold index stood at 250,5 while bullion was marked at \$227. And, while bullion rose to hit \$634 last week, the index's advance was more circumspect with a late spurt to a 521,6 peak at the start of this week.

Normally, a failure to perform by the share market indicates that bullion is due for a set-back. However, even if, say,



bullion falls back to the \$400 range, gold shares will still offer acceptable yields (see *Fox*), which could provide some price support. Not that this means investors can blithely buy everything that moves. But, if you feel that bullion could be nudging \$1 000 later this year, buy shares now. If there is a set-back, investors who become long-term holders will have the palliative of reasonable yields.

(79) FM 11/1/80

GOLD

A world gone haywire

Plus ça change . If there is one thing that describes today's gold market it is the old French aphorism Nothing has changed since the final months of 1979 — it is simply that the issues have become more pressing.

And, though there is probably justification in the claims of some analysts that bullion could hit $800 or even $1 000 within the next few weeks, a sound case can also be made by observers who feel that gold could relapse just as quickly into the $400s Even so, with the world in its present state of disarray, at least for the next twelve months upward pressures on gold should outweigh the downward.

Much of bullion's recent advance to its record $634 London fix has been prompted by political and security fears, according to analysts in Hong Kong, Europe and the US. In the Far East, fears of a far more positive intervention by China in the affairs of the region spurred Hong Kong's gold chase last weekend Unlike the US, which has officialy ruled out the use of military power in coping with the situations in Iran and Afghanistan, China, it is felt, has no such inhibitions. Gold dealers in Hong Kong feel that, though China may not involve itself directly in a military venture against Russia in Afghanistan, it could be on the brink of further strikes into Vietnam to curb Russian power in the region.

Paradoxically, it is felt that this could eventually be a bear point for gold If China did successfully curb Vietnamese territorial ambitions, the threat of an incursion into Thailand from Cambodia could lessen. And that would lower South East Asian fears that the old domino theory will be proved applicable to the area. In addition, positive Chinese moves on Vietnam could temper Russian moves in central Asia and lessen fears of significantly greater Russian presences in the all important Middle Eastern oil producing region.

That may be a vain hope. Russia is growing increasingly short of oil despite vast reserves in the far east of the Soviet Union. And to deny supplies of Middle Eastern oil to the West and divert them to the USSR is a goal well worth the risk of a limited war. Of course, Soviet territorial ambitions may well be far broader than this. The fact that certain European governments have pressed the US into agreeing to locate more and better tactical nuclear weapons on their soil reflects the seriousness with which fears of a Soviet strike into Western Europe are viewed.

The problem is that Soviet military might is peaking at a time when demands for more liberalisation are growing from its own people and among its East European client states. Poland, which has debts to Western banks of some $15 billion, is in a particularly difficult position. Attempts at hiking domestic prices toppled the Gomulka government and installed Gierek. The memory of that is still fresh in Polish and Russian minds, so the attitude may be that domestic economic tightening be avoided in Poland through Russian help to repay some of the country's Western loans. But that and Russian wheat purchases from non-US sources could mean sales of Russian gold with a dampening effect on the bullion price.

It is a thin line to walk, but the US embargo on grain sales to Russia will probably harm the Soviets more than the Americans. Unless alternative markets are found for US grain, the US balance of payments will be hit, thereby increasing downward pressure on the dollar and triggering further upward pressure on gold. But the real sufferer will be Russia.

During the year to end-September 1980, the US was to have supplied 25 Mt of Russia's projected 32 Mt grain imports. If there is any meaningful reduction in that figure, Russia may not be able to feed its animal herds, eventually leading to drops in supplies of meat to increasingly consumer-oriented Russians. That could add to Russia's domestic problems and play into the hands of the Kremlin hawks. A more aggressive Russian military stance, it goes without saying, could trigger a further rush into gold.

Big power posturing, however, does tend to relax after a while, or at least to be accepted by gold markets. In addition, Russia probably realises, as does the US, that long-term world instability is in noone's interests. So, though the security outlook may be dark at present, the odds are that, by year's end, a more relaxed atmosphere should prevail. In that case, a large part of the political element of the gold price could have disappeared within the next twelve months.

Perhaps more likely is that if political tensions persist, gold investors will be-

Senator Horwood's golden grab-bag Budget

The bulging coffers of the State have produced a feeling of euphoria among taxpayers and hopes of a bumper Budget. Financial Editor HOWARD PREECE examines some of the options open to Senator Owen Horwood.

MOST people think Christmas is coming in March this year.

Senator Owen Horwood, the Minister of Finance, is expected to announce the biggest giveaway Budget in South African history in some two-and-a-half months' time.

He has, in fact, already promised major concessions.

The crucial reason for the euphoria is obvious to everyone. Gold.

As the price has bounded up from around $225 at the beginning of 1979 to over $600 early this year it has dramatically and fundamentally changed South Africa's economic and financial prospects.

But it is important to see the Budget in perspective or else some may find the champagne a little flat on the day.

The white railway worker, the black labourer and the coloured housewife, among others, are going to get all kinds of [illegible] at cash handouts from Senator Horwood, although they will all get benefits.

However, the (overwhelmingly white) middle and upper income groups will certainly rejoice over very substantial tax reductions — the rejoicing possibly tempered in some cases by a clamp on tax-free "perks."

This means the Budget will clearly be attacked in some quarters as heavily biased in favour of the rich.

But Mr Aubrey Dickman, chief economist of Anglo American, says: "The Budget will, or should, be aimed at boosting growth in a balanced and sustainable way.

"To the extent that it succeeds, particularly in creating new jobs, everyone will benefit.

"Major tax reforms are necessary for this and the impact will filter through beyond the direct recipients."

Dr Johan Cloete, chief economist of Barclays National Bank and one of the most powerful critics of the Government's severe economic restraint in 1976-77, cautions that Senator Horwood dare not increase State spending much above the inflation rate without fuelling the present 14% rate further.

This means that if such diverse areas as defence and black education and training are to get particular boosts, real increases in other areas will have to be zero or even negative.

So do not look for sweeping across-the-board welfare and subsidy increases.

Dull and churlish would he be, however, who would dispute that gold offers Senator Horwood some great Budget opportunities.

● Balance of payments fears, even with frightening world oil prices, have disappeared, at least for the time being.

● Gold tax revenues have been pouring into the Treasury like a fruit machine jackpot. The original estimate for 1979-80 was R875-million. The Chamber of Mines now expects at least R1 400-million. But the level could well be R1 500-million to R1 600-million.

○ "Prepare to meet thy boom", says Dr Gerhard de Kock, senior deputy governor of the Reserve Bank and Senator Horwood's principal economic advisor.

Private sector economists broadly agree that after the lean years of stagnation and faltering recovery since 'the crash of 75' real growth next year will be a minimum 4,5% and maybe 5% to 5,5%.

Wide expectations that Senator Horwood will don red cloak and white beard and punctuate his Budget speech with plenty of "ho, ho, hos" while dishing out the presents are, therefore, wholly understandable and in many ways well based.

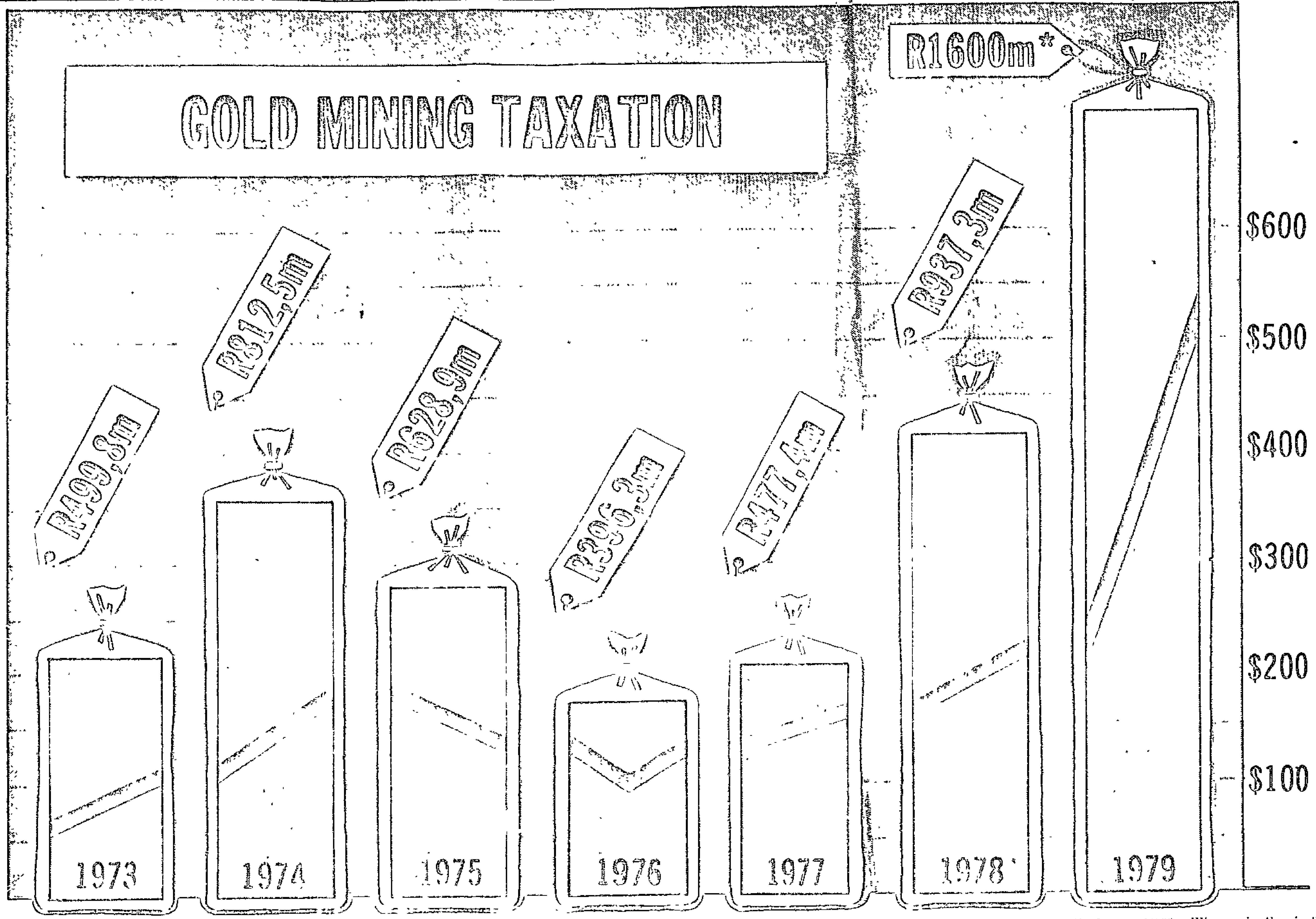
Even with the reservations above it seems reasonable to assume that:

○ PERSONAL income tax (but not the General Sales Tax) will certainly be cut. This could include cutting or scrapping the 10% loan levy.

● COMPANY taxation must also get some relief, boosted perhaps by bigger investment and export incentive.

● TAX concessions involving married women, child allowances, medical and insurance abatements, savings annuities and others will be announced.

● THE IMPORT surcharge of 7,5% on a sweeping range of goods looks set to be scrapped.



○ BLACK taxpayers have been promised the phasing out of separate taxation over three years. That will be further implemented this year. Last year the cost was R63-million.

That is one part of the equation. Another is particular assistance in some areas through special or higher-than-average increases in State spending.

Among items here will be:

○ DIRECT help for the poorest groups, particularly the blacks, will be given — most likely through higher subsidies on food (definitely) and transport (probably).

● INCREASES in State spending for 1980-81 will include proportionately large rises in black education and training and, in conjunction with private enterprise, black housing.

● PENSIONS will go up — about R10 a month for whites, R7 for coloureds and Asians and R4,50 for blacks.

● TEACHERS and NURSES will get large percentage pay rises. Other civil servants may not be so fortunate, particularly if the Government genuinely wants to reduce their numbers. But there are political issues here and who knows how the Cabinet will weigh those.

One of the main drawbacks of GST is that it can only really be changed in 1% moves and that is now around R300-million — a scoop.

I cannot see a GST reduction in this Budget.

Much of all this has, of course, been heavily discounted already. The question is how big will the total package be.

Let us first clear away what seems to be something of a popular misunderstanding.

There is a tendency to estimate how much extra revenue Senator Horwood will have scooped in for 1979-80 over his original estimates and to assume that that is the amount he can "hand out" in his Budget for 1980-81.

Government finances do not in fact work quite that way.

In the first place Government spending for 1979-80 will also be well above the original estimate — perhaps 16% up against a 12% target.

The spending estimate for 1979-80 was R11 19[illegible]-million.

It could well turn out be R450-million or so higher.

When Senator Horwood announced the early repayment of loan levies in September last year (not part of the 1979-80 Budget sums) he cautioned that extra spending on items such as R75-million to stabilise fuel prices, R55-million to the Railways as remission of interest charges on investment in passenger services, a R45-million rise in the bread subsidy and so on were swallowing up higher revenues.

However, as he was also then some R450-million ahead of his borrowing schedule he was able to repay a large Government loan (with no new stock) without any financing problem.

The gold price has gone through the roof since then and so have gold revenues but the tax payments will not all be reflected in this financial year.

It is also likely that Senator Horwood has soft-pedalled on borrowing in the second half of 1979-80 — and will have not drawn the R221-million from the Stabilisation Account as estimated — so his realised Budget surplus is unlikely to be anywhere near the R1 000-million that is sometimes touted.

It could perhaps be R300-million to R400-million.

But in any case the important point is that tax and other concessions in the coming Budget will primarily depend on Treasury estimates for 1980-81 revenue and spending and on the broad economic strategy of the Government rather than on whatever arithmetic the Minister announces for 1979-80.

"Tell me this year's gold price and I'll tell you what is in the Budget" says Dr J H de Loor, the Secretary for Finance.

He wouldn't, of course, but the point is well made.

The Government, the Treasury and the Reserve Bank were all badly bitten in 1975 when they based their strategy on an assumption that the gold boom of 1974 would continue.

When gold went into reverse it was a painful experience and memories are still vivid.

I have no idea what gold price or range Senator Horwood will assume for his 1980-81 revenue estimates (nor, I am sure, does he yet) but I would expect it to be below $400 even on the present level of the gold market.

However, this would still be handsomely sufficient to allow tax concessions at the absolute minimum similar to those in the 1979 Budget.

There were then income tax reductions of R455-million and a R160-million reduction in the import surcharge from 12,5% to 7,5% on top of R150-million cuts in loan levies previously announced.

The top effective marginal tax rate was cut from 66% to 60-5% with reductions down the line.

I would not expect the top rate in the coming Budget to come down much below 55% except as a part of a compensating deal for action on fringe benefits.

That could see it down to 50%.

Getting rid of the import surcharge would cost around R200-million.

Company tax, plus levy, came down last year from 48% to 46%. It will surely be eased further.

Total net tax concessions of R700-million to R800-million could certainly be on the cards.

But what about Government spending?

Senator Horwood is faced with something of a problem.

He has to take a view on inflation but the decision he takes can itself affect inflation.

Senator Horwood expects a real economic growth rate of 5% this year and will want a real rise in State spending of less than that to allow for the promised reduction of the proportionate public sector stake in the economy.

What, however, does that mean in money terms?

Private sector economists variously expect inflation this year between 12% and 15%.

If Senator Horwood bases his estimates on 12% (or even below that) he risks holding back growth by too little public spending.

On the other hand he will certainly come under heavy attack if he appears to be taking 14% or so inflation for granted.

Most likely he will opt for the lower level estimate but state spending (like state revenue, unless the gold price collapses beyond plausibility at this stage) will turn out well above target.

Apart from the likely scrapping of the import surcharge there will be little in the Budget that will directly restrain inflation.

Some private sector economists, such as Mr Andre Hammersma of Standard Bank, believe the best option for the Government is to let the rand appreciate in value on the back of gold and curb import costs.

Apart from attacks on a "rich man's Budget" Senator Horwood may well be criticised for not being bold enough in his tax concessions and in being too cautious in his revenue estimates.

We shall see. It is a pity, though, that some of those calling for great boldness now were such enthusiastic supporters of the clobbering of the economy in 1976-77.

Economic growth depends crucially on physical factors such as manufacturing capacity and availability of skilled labour and the previous economic "over-kill" is a limiting factor to expansion now.

That aside, however, there clearly is a danger that Senator Horwood will be too timid — and not just in fiscal policy.

Against that it can be hoped that if the gold boom continues anywhere near its present level the economic upturn will automatically be accelerated through the private sector.

Senator Horwood can always take further action later and in any case it may well be in 1981 that he will most need money to keep the economic pump primed.

Of course, if we have any similar experience to the human tragedy and political blunder of the 1977 Biko incident we shall again pay a heavy economic price in lost opportunity even with a soaring gold price.

Star 14/1/80

79

Gold taking off again —main markets are hectic

By Colin Campbell, Deputy Financial Editor

The gold price lifted off into a new orbit in world bullion centres today, and Johannesburg stockbrokers report strong and determined buying of gold shares on the Johannesburg stock exchange.

In Hong Kong dealers said trading was hectic throughout the day with the price movement erratic, fluctuating between the day's high of 653-663 dollars and a low range of 634-640 dollars an ounce.

They attributed these price movements to two-way trading from some Middle East and European operators.

The gold price in Saturday trading in Hong Kong closed in the 640-650 dollar range.

In New York on Friday the gold price closed at 645,25-648,50 dollars an ounce.

As European centres opened for business today gold was in strong demand.

In Zurich the mid-morning price was at a record 655-660 dollars an ounce after having opened at 637-642 dollars. Friday's Zurich close was 621-626 dollars.

International dealers, trying to identify the fresh spurt in the gold price, leaned back on the two events which have seen gold rise dramatically in recent weeks: the events in Iran and the Russian military intervention in Afghanistan.

Weekend radio reports that Russian troops were moving up to the border with Pakistan, and news that the President of Yugoslavia had an emergency operation for a blood clot in his leg are thought to have been behind today's renewed interest.

VACUUM

European political commentators pointed out that President Tito has no natural successor — and that if he died suddenly then Russia may well move into the vacuum with an increased hold.

Local brokers report that there was a strong American demand on Friday, and that this has continued through to Monday. There was also good London buying today.

The Financial Rand rose to 93,75 US cents, but this did not inhibit trading.

However exciting though the new rush is, local brokers are "somewhat concerned" at the growing interest of the "little man" who, enticed on by daily reports of the galloping gold price is coming back into the market — not for investment but for indiscriminate buying of gold shares.

One Johannesburg analyst only last week was predicting a gold price of 800 dollars an ounce. Some dealers who had scoffed at this suggestion are now giving that prediction some thought.

"It's a madhouse," one broker said this morning.

BUSINESS

New red threat sparks gold again

15/1/80

By Colin Campbell, Deputy Financial Editor

As the Russian bear put out its paw towards the Iranian oil fields and as the world watched the health of President Tito of Yugoslavia, the gold price reached fresh peaks on world bullion markets.

The worsening international political situation and the latest news of Russian troop movements in Afghanistan coupled with the events at the United Nations renewed tension in world markets.

In Hong Kong gold closed today at 662-667 dollars having fallen through the day's session from New York's close of 668-671 dollars.

In Zurich gold hit 671-676 dollars as trading got off to a hectic start. And London opened with a bang.

London dealers report widespread fresh buying, but noted that trading — though active — was not as hectic as at the start of the month when gold prices firmed about a hundred dollars in a couple of sessions.

Other precious metals and minerals also advanced, and London quoted a new high for free market palladium yesterday.

Dealers said speculation in some quarters that a Western trade embargo against the Soviet Union, a major palladium producer, could disrupt exports from Russia.

The Star's London financial correspondent John Cavill says Swiss reports of a shortage of physical gold also helped spur the London gold price to new records.

"We are told that there is a scarcity of metal for immediate delivery and this is frightening off sellers," one dealer said.

A further burst which will take gold through the 700-dollar level is being confidently predicted by some London chartists.

"We have seen the price easing back to around 600 dollars with a lot of profit taking absorbed. Now that is drying up, the price is being forced higher by the international situation.

Though concern about Iran has been mounting for some time, the nearness of the Russian troops to the Iranian oilfields and the discovery of leaflets in Iran calling for Russian troops to save Iran from outside influences has given the gold price a fresh twist.

Yugoslavia is another potential flashpoint. Though Yugoslavia has long been a stepchild of Communist Russia, political analysts are concerned that President Tito has no natural successor — and that on his death the Russian bear hug will more tightly embrace that country.

(3) The provisions of subsection (1) shall not be construed as prohibiting the appointment as auditor of a private company, no shares of which are held by a public company, of a person who by himself or his partner or employee habitually or regularly performs the duties of secretary or bookkeeper of such private company if he is registered under the Public Accountants' and Auditors' Act, 1951, and all the shareholders of such private company agree in writing to his appointment and the relevant circumstances are set out in the auditor's report on the affairs and annual financial statements of such private company.

(4) Any person who acts as the auditor of a company or other body corporate while disqualified as aforesaid, shall be guilty of an offence.

(5) For the purposes of this section "secretarial work" does not include share transfer secretarial work.

276. Entry of name and address of auditor in register of directors and officers and return to Registrar.—Every company shall comply with the provisions of sections 215 (2) and 216 (2) as to the entry in the register of directors and officers of the particulars of the auditor of a company, any changes therein a... connection therewith.

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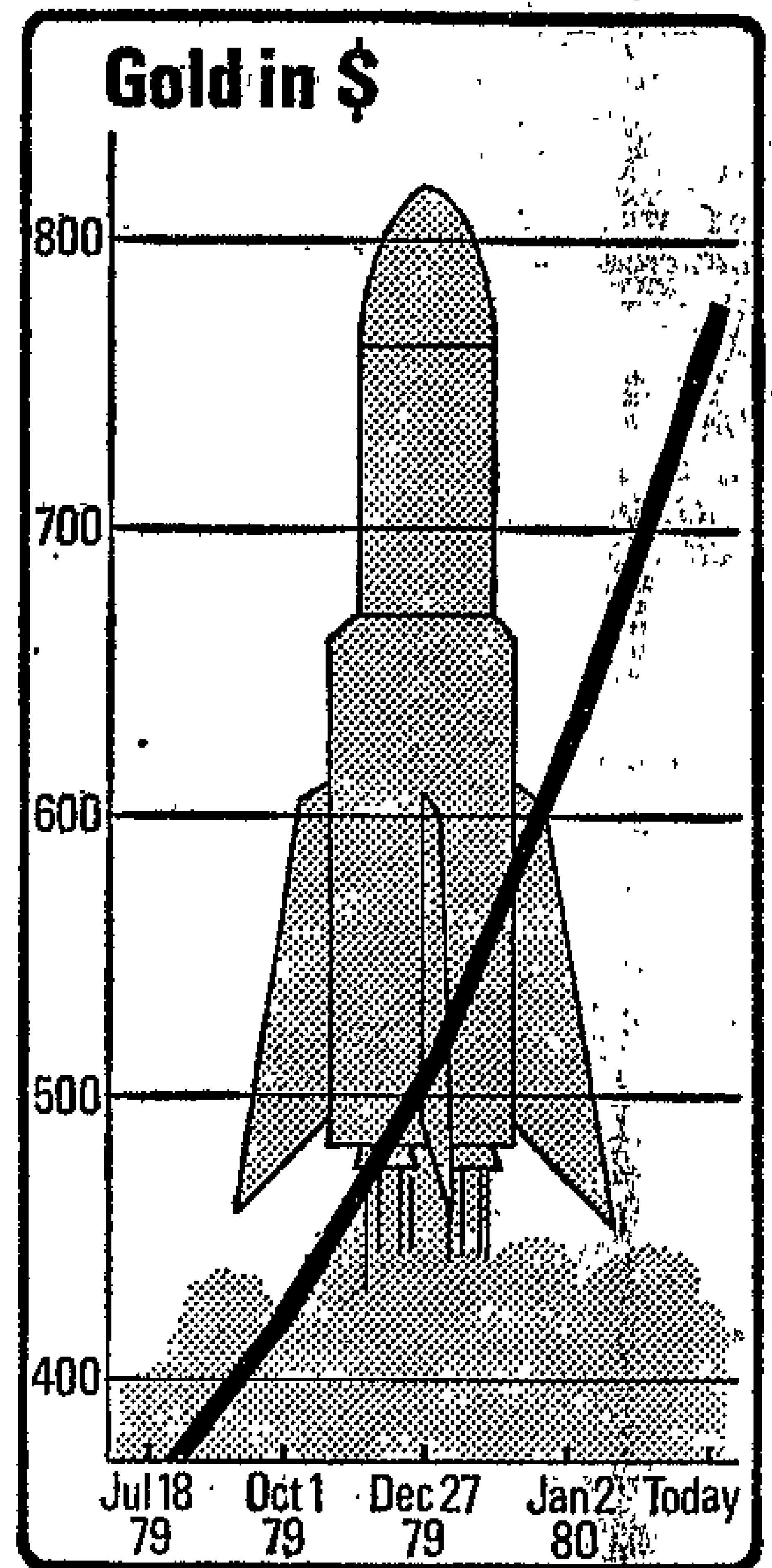
It's $775 as gold price trebles in a year

16/1/80

gold

79

By Michael Chester,
Financial Editor



The hectic scramble on world bullion markets became more frenzied than ever today when gold prices cracked the 700-dollar barrier for the first time and raced to a new peak at 775 dollars an ounce.

The gold spiral, which has now more than trebled prices in the past 12 months alone, is seen as a universal barometer to international tensions, as crisis has followed crisis.

A wave of buying by Middle East oil sheikhs was behind the first surge towards 700 dollars in London yesterday, when prices closed at 684,50 dollars.

INCOME

As world time zones spun the action to New York, gold bounded 42 dollars higher to trade between 709 and 714 dollars an ounce with every 10-dollar rise reaping an additional R200-million a year in South African export income.

The 700-dollar barrier was finally breached when the US Treasury announced in Washington that it had no immediate plans to hold a huge auction of its Fort Knox gold stockpile, which had been widely forecast as a move to cool the gold fever.

And in Hong Kong today the spiral went unchecked to push gold to 750 dollars before it eased to close at 735 dollars.

John Cavill reports from London that Swiss bankers in Zurich, who handle most of the South African gold sales, described market activity as "unreal."

IMPOSSIBLE

But they admitted it was impossible to guess when the price would reach a level at which holders of bullion would disgorge their hoard to meet demand, which is now outstripping current production.

Gold is not the only target of investors and speculators in the panic. Platinum has surged to new records at 860 dollars an ounce and virtually all precious metals follow in the slipstream.

In turn, South Africa has become an investment target too. The financial rand, which is used overseas as the vehicle to send in new investments, is today at its strongest level since 1975.

And the commercial rand, or ordinary rand in your pocket, is at its highest level against the US dollar since the currencies were unpegged in 1978.

In the sharpest rise on record, the average of buyer and seller offers was 765 dollars at the first fixing session on the key pace-setting London market.

● Page 13: Gold tops 700 dollars as ME tension grows.

Gold over $700 as ME tension grows

79

16/1/80

LONDON — Gold kept up its momentum, opening at 734 dollars an ounce in London today, nearly 50 dollars over the previous close and 22,50 dollars above New York's closing level.

After drifting back by 10 dollars, the gold price rallied in the first hectic half hour of trading and bullion dealers Sharps Pixley quoted a price of 730-738 dollars 40 minutes before the morning fixing.

"It looks very firm," said Sharps Pixley.

Tension and uncertainty over the situation in the Middle East coupled with news by US Defence Secretary Harold Brown who said the Soviet Union would like to move into Iran and Pakistan if the price was right, helped prompt the late advance, dealers said.

Hong Kong opened sharply higher this morning following the overnight advance in New York, but activity slowed around mid-session after the price rose almost 50 dollars from the previous finish of 662-667.

In New York gold rose to new highs yesterday, up about 42 dollars from Monday's close.

Dealers said the final surge above the 700 dollar level came following US Treasury Secretary Miller's statement that gold sales by that agency did not seem appropriate now. But he said the Treasury remained willing to sell the metal at the appropriate time.

The possibility of large sales by the Treasury had been a background factor in the market, and with that prospect removed at least temporarily, gold rose sharply before settling back towards the close, according to Reuters.

John Cavill reports from London that the gold market careered to 700 dollars an ounce on a wave of Middle Eastern and speculative buying yesterday.

With Middle East oil money and speculative buyers "chasing each others' tails," Swiss bankers in Zurich described the market as "unreal."

But they admitted it was impossible to guess when the price would reach a level at which holders of bullion would disgorge their hoard to meet demand. They felt there was little point in South Africa, on its own, attempting to stabilise the market by selling from its reserves — as it did during December.

PLATINUM

Platinum was sucked up by the gold tornado, peaking at 860 dollars, 70 dollars an ounce up. Silver lifted by 163,6 pence to a new high of 1 919,7 pence.

One London platinum trader said: "It is quite unbelievable. The price is swinging by as much as 20 dollars with each deal. But at least the South African producers can relax in the knowledge that they have no fears of anyone rejecting metal at their price of 420 dollars."

In Zurich two leading Swiss bankers said the gold market remained short of physical metal.

Mr Paul Zubler, manager and head of the bullion department at the Union Bank of Switzerland, said: "The South Africans are selling their usual amounts and it is up to them whether to sell more.

"But I don't think they can stop the price from going up. In this unrealistic speculative market, where buyers are chasing each other's tails, the only question is how much higher the price can go.

LAST RESORT

"Just as a few years ago when gold was down there was no buyer of last resort, we now have the position where there is no seller of last resort. A few central banks may sell a million ounces to help with a country's budget but on the whole they see little point in letting out gold," he said.

Mr Herbert Kaufmann, senior vice president of the Swiss Bank Corporation, said: "I don't see why the South Africans should sell any more than they are at present. It would not help the dollar: this current situation is hardly affecting the dollar at all.

"I am still bullish. The Middle East buyers are still in the market because gold has not yet reached a price at which demand will be fully satisfied.

"And no one knows what that price is. If you can tell me what is the 'right' price of petrol, or the 'right' rate of inflation, then we might have an idea of the 'right' price of gold."

Big gold trade is between US and Continent

Cape Times 17/1/80

79

By PAUL DOLD
Financial Editor

A soaring financial rand and a bout of profit-taking turned gold shares easier yesterday in spite of the leap in the bullion price.

The financial rand touched 110 at one stage from the previous 101 and effectively braked the gold sector's advance. While this high financial rand, which narrows the discount on the official commercial dollar rate and cuts the profit margin for foreign investors, is a drag on share prices, it will of course provide a comfortable cushion on the downside.

While the high financial rand patently suggests demand for gold shares there are of course big operators in the FR market itself who have made a 15 percent profit on the FR alone in the past few days.

Both the FR and the commercial rand are clearly undervalued — particularly the ordinary rand. The commercial rand is continuing to strengthen and closed at 1,2200 — 10

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...bi-Saleh in south-
...wn at the capital
...remains of a mosque

... gold on each donkey-
...that enters his country, and two dinars on each load of salt
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...e ten mitqals. The best gold in the country comes from
...n situated eighteen days' journey from the capital in a
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...ive gold found in the mines of the empire belong to the
...though he lets the public have the gold dust that everybody
... without this precaution, gold would become so abundant as
...o lose its value.

...tqal was a measure of gold weighing between 4.25 and 4.725 grams.
... a gold coin equivalent to one mitqal. Ghiaru possibly lay
...y later known as Bambak between the rivers Senegal and Faleme.

KANEM

1. Divine Kingship

They exalt their king and worship him instead of God. They imagine that he does not eat...if any of his subjects meet the camels which carry his food secretly to the palace, he is instantly killed. Their religion is the worship of their kings, for they believe that they bring life and death, sickness and health.

al-Muhallabi, 985 A.D.

2. Diplomatic Contacts with North Africa

Then come the people of Kanem, a very large population among whom Islam predominates...Their rule extends over the countries of the desert as far as the Fezzan. Since the founding of the Hafsid dynasty, they have enjoyed friendly relations with it. In the year 655 A.H. (A.D.1257) the Sultan al-Mustansir received a rich present from one of the kings of the negroes, the sovereign of Kanem. Among the gifts which this negro delegation presented to him was a giraffe, an animal whose external characteristics are most diverse. The inhabitants of Tunis ran in a crowd to see it.

From ibn Khaldun (1332-1406)
History of the Berbers

Note.: Fezzan lies in the Central Sahara, between Tripoli and Lake Chad.
The Hafsid dynasty came to power in Tunis in the thirteenth century.

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$760 after close

CAPE TIMES (79) 17/1/80

LONDON. — Gold rose on balance $59 an ounce in a day of hectic trading to close at record levels for the third successive day at $745,00/755,000 an ounce, after touching $775,000 earlier in the session, dealers said.

US Treasury Secretary William Miller's overnight statement that further Treasury gold sales seemed inappropriate at present sent the price soaring from Tuesday's closing $689,00/693,00 an ounce to an opening $735,00/745,00.

Nervous afternoon profit-taking pared several dollars from the price after morning gains that left dealers temporarily short of adjectives to describe the market.

But in late trading the uptrend resumed, with dealers quoting $755,00/765,00 after the close. — Reuter

(In $ an ounce)
London:
Fixing am: 765
Fixing pm: 760
Newark:
Engelhard
Unfabricated: 761,90 (685,71)
Fabricated: 788,57 (709,71)
New York:
Handy and Harman
(Bullion) 760,00 (684,00)

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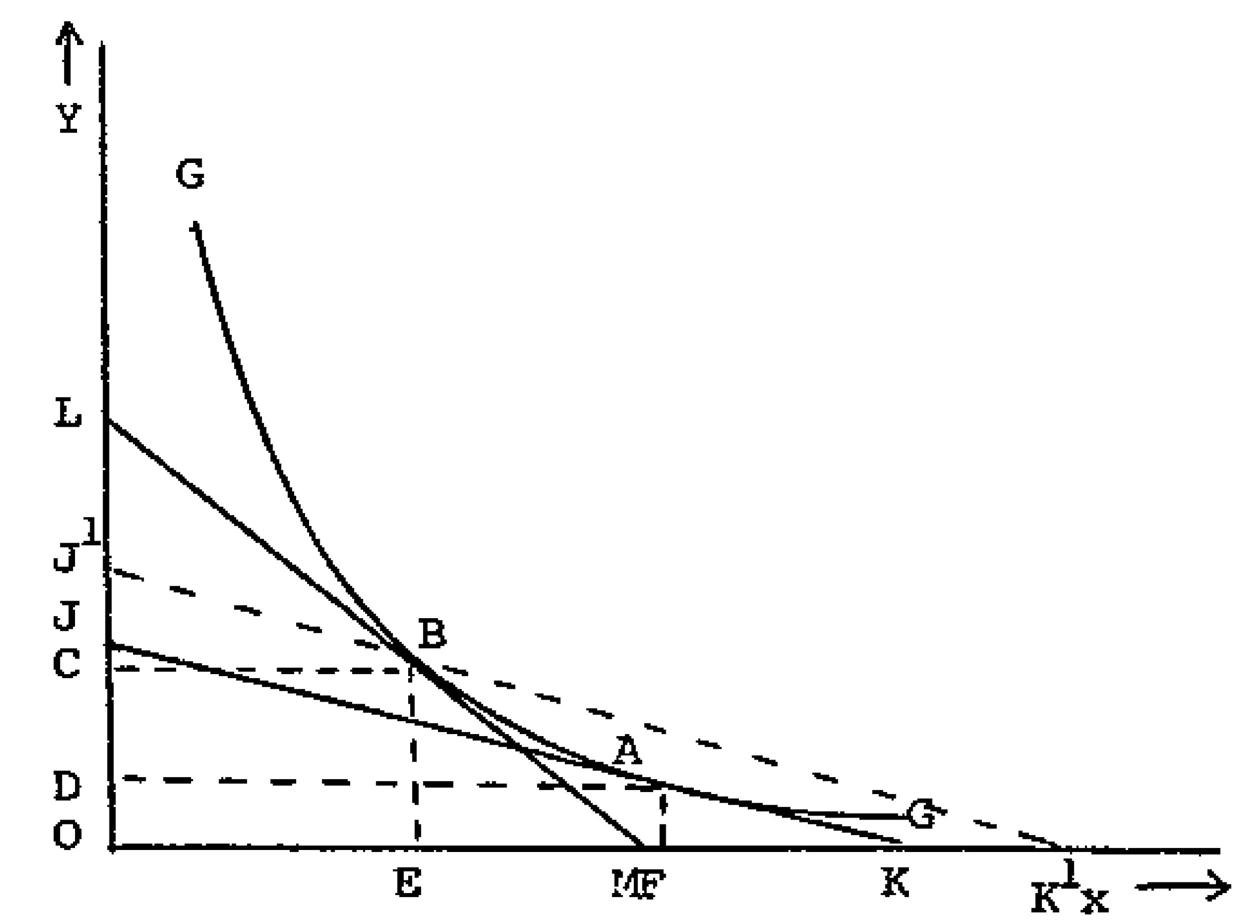
factors. Given these relative prices, technique A (using OD units of y and OF units of x) would be the cheapest method of producing the required output. Any other technique (B for example) would be less efficient in the sense of being more costly for, given the prices of x and y, production along the line J^1K^1 would be more expensive than production along JK.



Only if relative prices changed (to the slope of the line LM) with y becoming cheaper relative to x would B become the optimum technique. Now suppose G was a particular level of health care whilst x and y were village health workers and doctors respectively, then if technique B was being used at the old relative prices to produce health services it would be more efficient to use technique A which implies reducing the number of doctors (by CD) and increasing the number of village health workers (by EF).

Economists may have something to offer if they can get more people to start thinking of it this way. It is often stated that if one is going to dig a canal, one should use bulldozers; that after all is the modern, efficient w... ...ith things and it does them very quickly. But countries have r... ...ge problems by ordering bulldozers and t... ...them. For to have the most modern, u... ...y does not necessarily mean that one is d... ...he best way. In India, I once saw a ...en and men who carried the soil away ...t glance, one might say how backward ...r, given the resources of India where ...llions of people needing more work, much ...the most efficient way is to dig the cana... ...are situations is there not often the same myth about doctors that there is about bulldozers? They are highly

$80 rise in Zurich

ZURICH. — Gold closed at $755/765 per ounce after another day's hectic trading which sent the price soaring some $80 from the previous close.

Profit-taking brought the price back from a high of $760/770 as trading slowed a little near the close. But dealers said the offerings were readily absorbed by new buyers in active two-way business. — Reuter

capital intensive, very expensive, and in many situations quite the wrong thing to be using.

This is not to say that one does not need a bulldozer periodically. One may well need a few bulldozers around to help one over difficult patches, but often one requires a different combination of factors - less of one and more of the other. Many of the papers in the conference and the issues that emerged seemed to be dealing with these kinds of choices. Either, on the production possibility boundary, what combination of consumption is required? Or, on the isoquant, what combination of inputs is going to give us the health services we need?

The third question concerns how in fact one improves the resources that one has. Labour is not homogeneous: a village health worker is a very different person from what she was previously, before she had been taught to do a few things. Tapping the hidden wealth of the society, the potential resources embedded in people, is extremely important. Moving from bulldozers to another analogy, consider the question of housing in Southern Africa. Two approaches are possible. The one currently adopted involves maintaining specific standards, which leads to fine houses being built. But there are two drawbacks. Many people cannot afford the houses and there are insufficient resources to build enough houses quickly to meet the backlog. The other approach starts from the point that shelter is important, accepts that it is impossible to build as good houses as one would like, but nevertheless insists that everybody be housed in some way. Thus people are encouraged to do things for themselves and resources are drawn out of them. Around the world there have been experiments with self-help housing, squatter upgrade communities and all the rest of it. Adequate shelter very cheaply, very fast - of which Crossroads is a prime example - has been produced cheaply and rapidly against heavy odds. Now of course, that shelter could be a great deal better if there was the security of individual land tenure, and if the money had been available to buy a few other necessary materials, such as strong beams. But despite this lack, shelter is being provided by people in a situation where the authorities cannot do it because they haven't got the resources or because of bureaucratic red tape. Similarly, in the whole health situation one of the things that was discussed at the conference was how to tap this hidden wealth.

This is not to advocate abolishing the medical profession or the nursing profession. Rather, we as a society should be trying to use the expertise of the medical profession to draw on the wealth of people to look after themselves. Where one has got such a patent health breakdown as we have in this

Gold still spinning in roulette wheel

79

By NEIL BEHRMANN Cape Times 11/1/80

LONDON. — The gold boom continued with a vengeance and in European trading yesterday the price was nearly 100 dollars higher than overnight levels.

Bullion dealers say that the market is very thin and that purchases of small quantities of gold have tended to push up prices sharply, because investors and speculators are still not willing to part with their gold.

The major reason for the latest spurt was short covering in New York. Some brave, if not foolhardy bears had sold gold short on rumours that the US hostages would be released.

This rumour proved to be unfounded and then US Treasury Secretary William Miller said: "It doesn't appear to be an appropriate time to sell our gold in the face of this very unsettled and rather, I think, uncharacteristic period."

But Mr Miller added that this did not imply that this was a change in US gold sales policy and that the agency would consider sales of gold "at such times, at such prices and in such amounts as it considers appropriate."

In a recent interview a US Treasury official told me that the US authorities would consider sales when the dollar was under pressure and for balance of payments reasons.

In the latest gold boom the dollar had actually strengthened against the Swiss franc and D-mark.

Central banks have decided to leave the gold market alone, describing it as a speculative bubble.

In retrospect — and this has been the view of a leading Swiss banker — their decision was the correct one.

All speculators and investors have done in their attempts to diversify out of the dollar and other currencies was to bid prices against them.

The market has become so thin, that it can be seen that they have no alternative but to accept the dollar and other currencies as a cash medium.

For example, platinum has fallen behind gold because it is the thinnest of all the markets. While gold has jumped from 450 dollars to 765 dollars, platinum has appreciated from the mid-700s to just under 900 dollars.

A few buying or selling orders tended to push platinum's price by a 100 dollars each way. So the big time speculators are now tending to leave it alone. In other words, their speculation has become counter-productive because they can't get in or out without turning the price substantially against them.

17. EVALUATION OF A COMMUNITY OBSTETRIC PROGRAMME IN THE DURBAN AREA

The programme to be discussed deals solely with the black (African) population of the Durban area. The rationale for concentrating on this group is that it is the one which currently has the most pressing obstetric needs. This assessment is supported by the perinatal mortality rates (P.N.M.R.) for 1977 in which the figure for the black population is more than twice that of any of the other three population groups.

The basis of a satisfactory medical programme is an accurate and complete ...de an assessment of (a) the relevant needs of (b) the facilities available to meet those ...surement of the P.N.M.R. provides a convenient ...the level of obstetric care and the lowering ...ate can be used as an indicator of improve-

...n amongst the black (African) population in ...roblems:

...ality rate - hospital 79,7
hospital and clinic 67,4
clinic 19,6

...rcentage of hospital deliveries as compared ...ies (19,500 cf. 4,500).

...l rate of clinic cases to hospital (6,000 ...vered).

...ria for hospital referral and clinic delivery.

(x) Sick neonate

(5) Poor clinic A.N.C. attendance with most patients booking after 30/52 and more A.N.C. attendances at the hospital than at peripheral clinics.

(6) Born before admission rate at the clinics of 22,6 - 26%.

The following programme was instituted:

(1) Post-graduate midwifery training by means of:
   (a) Refresher courses at the base hospital
   (b) In-service training at peripheral clinic
      (i) Providing feed-back
      (ii) Teaching new skills
      (iii) Encouraging research

(2) Re-assessment of criteria for referral

Major indications for referral 1976:
   (a) Fetal distress
   (b) Hypertensive disease
   (c) Delayed labour
   (d) Bad obstetric history
   (e) Malpresentation
   (f) Draining liquor

(3) Changes in emphasis in health education
   (a) Re signs of onset of labour and transport for admission in labour. This reduced the born before admission rate from 22,6 to 6,5%.
   (b) Re nutrition
   (c) Re breast feeding. Supplementation for the early neonate

Horwood promises benefits for all

CAPE TIMES 17/1/80

79

By GORDON KLING

AS THE GOLD BOOM took on the proportions of a chain-reaction explosion with the price shattering the $700-an-ounce barrier, the Minister of Finance, Senator Owen Horwood, last night pledged to pass on the benefits of the bonanza to the public.

And in a practical exhibition of foreign envy the discount on the financial rand, through which non-residents are enticed to invest in the country, continued to narrow towards the level South Africans have to pay for the same investments.

Senator Horwood said the implications for South Africa economy were "extremely favourable", provided financial discipline was maintained and government spending kept under tight control.

The benefits of the higher gold price, at $760 an ounce on the London bullion market after the close last night, "must be passed on to the general public in the most beneficial and lasting manner", he said.

To this end, he appealed for the avoidance of all actions with inflationary consequences, including excessive wage and salary increases.

The minister also gave new hope to South African businessmen of both a further relaxation in exchange control and an accelerated dismantling of the unpopular dual-currency system, comprising the ordinary commercial rand and the financial rand, which has highlighted the political risk of investing in the country since the system was created in the economic panic which followed the Sharpeville riots in 1960.

He said in a statement released in the City last night: "Naturally, the rise in the gold price and accompanying developments, such as the marked strengthening of the financial rand, have important implications for our fiscal and monetary policies, including exchange rate, and interest rate policy. These policies are therefore being kept under careful review and will be adjusted where necessary."

Investors continued to clamber on to the gold share bandwagon on world stock exchanges, and in Johannesburg the JSE was forced to declare an indefinite early closure to allow staff and computers to keep up with the frenetic activity on the trading floor.

From today trading on the JSE will cease at 3 pm instead of 4 pm.

The value of shares traded on the JSE set a new record, as has been the case all week, with R35,182 million changing hands, but there were signs of profit-taking and some of the more speculative shares closed weaker on the day.

Incredulous

Market observers attributed yesterday's rise to the usual world political ills, including the unease in Iran and the Soviet occupation of Afghanistan...

States Treasury Secretary, that the US considered the present to be an inappropriate time to sell any of its gold, saw incredulous speculators rush to buy

● The World Environmental Report said in its January edition that one of Africa's most ambitious environmental improvement plans — the grassing over of a 100 km-long belt of sterile gold mine dumps in South Africa — had been shelved as the soaring price of gold made the reprocessing of the dumps more profitable, Sapa-AP reported from New York last night.

The article noted that the dumps on the Witwatersrand contained 5 000 million tons of highly acidic powdered rock. In dry, windy weather silica dust storms once gave the Witwatersrand the highest incidence of ear, nose and throat problems in the world.

79 18/1/80 Star

'Mad day' as gold hits $800

By Colin Campbell
Deputy Financial Editor

And now it's 800 dollars plus!

As international political tension took a turn for the worse yesterday, there was a fresh stampede for gold.

At one point in New York gold touched 820 dollars an ounce as news reports flashed across the world suggesting that there had been a clash between Soviet troops and Afghan army units, and that five Russian warships were steaming through the Sea of Japan towards the Indian Ocean.

On Christmas Eve the London gold price was 485,50 dollars. Eighteen days ago the price was 567,50 dollars. Last Monday gold was 628,50 dollars. Only Wednesday it was 752,50 dollars — and now the metal is trading in world markets over the 800 dollar mark.

"It has been another totally mad day," bullion dealers said yesterday.

BUILDING UP

The hysterical atmosphere which has sent investors and speculators all round the world rushing for gold wasn't helped by a Canadian Government Minister who said the Afghanistan - Iran - Russian situation is building up to nuclear war proportions.

Though there were wild swings in the gold price in most markets yesterday, the advances in American futures markets saw gold for the October 1981 contract quoted at 926,40 dollars an ounce.

Silver ended the day in New York at 48,70 dollars an ounce, and in London platinum closed at 895 dollars an ounce — up a net 23 dollars on the day.

The Star's London financial correspondent, John Cavill, reports that if President Tito's condition worsens that will add fuel to the fire. London notes that Yugoslavian army units have already been put on alert.

Malaysia said yesterday that it will intensify surveys for gold in several parts of the country in view of the rocketing world price of the metal.

There were positive indications of gold in the sea bed off the West coast state of Malacca, and several old gold mines could be reopened.

RAPPORT 20/1/80

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Londen verwag 1 000 dollar

TEGNIESE faktore dui daarop dat die styging in die goudprys nou naby die einde is. Sommige tegniese ontleders glo 'n ommekeer in die stygende tendensie kan voor die einde van die maand verwag word. Nie almal stem hiermee saam nie. GIELIE DE KOCK berig uit Londen wat die siening daar is.

DIE gevoel in Londen word al sterker dat goud voor die einde van die jaar 'n prys van 1 000 dollar sal bereik. Inteendeel, daar is verskeie finanskenners hier wat meen dat dit reeds lank voor die einde van 1980 kan geskied. En hulle aarsel nie om die voorspellings in van Fleet Street se gesaghebbendste skakelbladsye te maak nie.

Die feit dat daar nog geen tekens van 'n einde aan die spanning in Afganistan en Iran is nie, en weens die wantroue in papiergeld, het verskeie beurskenners hier voor Vrydag se stygings laat voorstel dat die stormloop na goud baie binnekort weer momentum sou verkry. „Goud sal die belangstelling van die finansiële markte en die beleggers se aandag tot diep in 1980 behou," het die Londense Financial Weekly ná 'n meningspeiling onder die stad se belangrikste goudhandelaars geskryf.

Maar terselfdertyd bly die beroepshandelaars senuagtig oor die metaal se vooruitsigte. Dennis Selby, bestuurder van een van die vyf Goudhuise wat Londen se goudmark beheer, weerspieël die handelaars se menings wanneer hy sê: „Ek is uit hart uit 'n beer teen hierdie pryse, maar 'n mens moet aanvaar wat besig is om te gebeur. Daar word baie gepraat oor hoër pryse en die vrese wat die laaste styging veroorsaak het, is steeds daar.

„Ons het steeds met Afganistan en Iran te make en daar is die vraag of die dollar onder druk sal kom weens die Amerikaanse besluit om graanverkope aan Rusland te beperk. Daarby is die nywerheidsklimaat in hierdie dae alles behalwe goed."

Mnr. Selby sê voorts aan die Financial Weekly dat daar in dié dae een les te leer is, en dit is dat geen prys meer onaantasbaar is nie. Hy verwag dat die hoë pryse op die lang termyn sal afneem. „Maar 'n enkele bykomende krisis kan die prys feitlik dadelik met 'n verdere 100 dollar laat styg."

Daar was vandeesweek ook 'n groot geskarrel om goudaandele, het Britse makelaars hier berig. Dit was veral die Suid-Afrikaanse myne wat baie gewild was.

Maar ou name het ook weer op die voorgrond getree. In San Francisco het Homestake aangekondig dat hy die Fimiston-goudmyne naby Kaloorgie in Wes-Australië sal laat herleef. Sowat 28,5 miljoen dollar sal bestee word om die twee myne weer toe te rus. Dit is in 1976 gesluit toe die goudprys so laag was.

Sakeberigte hier fokus egter die sterkste op Suid-Afrika. In die Londense The Times berig Michael Prest dat die hoë goudprys en die stygende winste uit die myne besig is om probleme vir die Suid-Afrikaanse regering te skep.

'n Sterk vermeerdering in belastinginkomste, saam met die konstante herwaardering van sy goudreserwes het veroorsaak dat die reserwes van die SA Tesourie geswel het, skryf Prest. Volgens hom is die algemene mening op die Londense beurs dat die reserwes gebruik sal word om buitelandse lenings mee af te betaal wat Suid-Afrika se kredietwaardigheid nog meer sal laat styg in die oë van internasionale bankiers.

Intussen is hier ook feitlik daagliks berigte van die groot goudkoors wat Switserland getref het. Huisvroue en gewone arbeiders storm nou saam met die ryk arabiere om goed te bekom. die verskynsel kan gevaarlik wees, waarsku bankiers uit Zurich. Klein beleggers word maklik afgeskrik en dit kan maklik gebeur dat almal weer tegelyk storm om te verkoop, sê hulle.

'n Laaste woord [illegible] van Keith Shaw, ontleder van goudaandele vir die Firma L. Messel, Londen. „Ek kan [illegible] sien dat goud onder [illegible] dollar sal val nie. [illegible] dink die grense kan [illegible]sen 500 en 700 doll[illegible] wees, maar as pres. C[illegible]ter byvoorbeeld die ver[illegible]kiesing verloor, kan [illegible] prys nog baie hoër ge[illegible]stoot word."

with selected major categories of disease. Clearly, this i[s a] hypothetical situation. However, these competing risks lif[e tables] only provide an indication of the relative importance of var[ious] categories to both the overall mortality experience and also [the expecta]tion of life of the three communities, but also, since there i[s an appro]ximately linear relationship between the reduction of mortalit[y and the] percentage increase in life expectancy, any improvement will [...] a proportional improvement in the expectation of life. Thus [...] mortality associated with any of the diseases included in Fig[...] duced by 50%, then the increase in the expectation of life wi[ll ...] of the improvements indicated.

With the exception of Neoplastic Diseases and Diseases of the [...] System in men, the 'coloured' community stand to gain most fro[m ...] directed at the control of any of the selected diseases includ[ed ...] of particular importance are the Infectious and Parasitic Dise[ases ...] diseases which are frequently amenable to the implementation o[f] simple methods of prevention.

ACKNOWLEDGEMENT

The writers wish to thank the Board of the Colonial Mutual Life Assurance Society for their generous financial assistance.

20/1/80

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Business Times

Gold shares at bargain prices

By JOHN SPIRA AND ANDREW MCNULTY

GOLD shares are currently trading at bargain basement prices.

One of the world's leading gold share analysts concludes that if gold holds its present levels in the coming months, the returns on some gold shares will be several times those ruling today.

The analyst has projected dividend returns over a 12-month period for 19 leading gold shares to indicate the startling potential of the JSE gold sector — a potential that has been enhanced since the gold price went into orbit four weeks ago.

Gold price rises are offset to a degree by falling gold grades, by sharply rising formula tax at many mines and by capital expenditure programmes which will increase sharply at some mines.

But most dividend projections are still highly conservative as gold share earnings are strongly geared to the gold price and will increase geometrically as the price moves through present levels.

The analyst's projections, based on gold prices of $400, $500 and $800 are:

Blyvoors: 180c, 270c and 540c.
Buffels: 375c, 580c, 1 195c.
Harmony: 200c, 305c, 620c.
Harties: 670c, 930c, 1 710c.
Randfontein: 650c, 1 000c, 2 050c.
Southvaal: 215c, 305c, 575c.
Vaal Reefs: 645c, 925c, 1 765c.
F.S.Geduld: 640c, 925c, 1 780c.
P. Brand: 400c, 600c, 1 200c.
P. Steyn: 400c, 575c, 1 100c.
W. Dries: 875c, 1 175c, 2 075c.
W. Deep: 390c, 555c, 1 050c.
W. Holdings: 850c, 1 150c, 2 050c.
E. Dries. 245c, 315c, 525c.
Kinross: 120c, 165c, 300c.
Kloof: 270c, 375c, 690c
St. Helena: 400c, 545c, 980c.
W. Areas: 75c, 125c, 375c.
Winkels: 295c, 400c, 715c.

These are all high-earning shares, which were good performers when the gold price was at $300.

But other gold shares, which a year ago were looked upon as marginal operations, are now turning into good profit-earners and will show far more dramatic earnings improvements as they are more highly geared to the gold price than are those listed above

In the past 12 months, the gold price has soared by a mind-boggling 265%.

In the same period, the prices of gold shares listed on the Johannesburg Stock Exchange have lagged considerably behind bullion, having gained a relatively meagre 106%

A sector-by-sector analysis of the JSE's gold boards reveals that the Evander mines have out-performed the other four gold mine categories with an average increase of 120% over the past year.

The West Wits mines were not far behind with a 115% gain, followed by Klerksdorp (111%), OFS (102%) and (the conspicuous laggard) Witwatersrand (only 70,8%).

A striking statistic is the 170% improvement in the mining holding company index — a rise which tends to dwarf the increases recorded by the gold mines.

These figures have a number of revealing implications:

- Because the shares of the Witwatersrand gold mines have lagged well behind the other gold sub-sectors, the small investor has not been a major factor in the bull market since it is the mines in this category which traditionally attract the "small money".
- The gold share market is attracting the "big money". This is apparent from the large gains seen in the shares of the high grade mines and the breathtaking performance of the mining holding company index.
- Viewed against the background of the astonishly high dividend projections listed above, the enormous gap between the increase in gold shares and that of bullion, and the fact that big money from all corners of the world is continuing to be funnelled into gold shares, the JSE's gold shares indices could well continue to blast upwards for much of 1980.

Making a mint out of Krugerrands

By PENELOPE MORGAN

COMMERCIAL banks are selling Krugerrands for at least 16% more than the price they are available on the Johannesburg Stock Exchange.

Because many people are unaware Krugerrands are available on the JSE, the banks have been doing a roaring trade in the coins and have been making enormous profits

The banks charge a commission or handling fee of about 5% while stock brokers and the SA Gold Coin Exchange ask a 1% commission.

The banks reckon that their price is higher because of their marketing agreement with the Chamber of Mines.

According to Kurt Cruckshanks, head of the Chamber's gold marketing arm, Intergold, the banks get their Krugerrands from Intergold at 10% above the prevailing gold price. On to that the banks add their 5% fee.

However, the Chamber of Mines is not the banks' only source of Krugerrands. They also repurchase Krugerrands from the public.

This they do at prices similar to the market-related buying price on the JSE which often stands well below the bullion price

These coins are also sold at the higher Chamber of Mines-related price, which means that the banks are making about 15% (if not more) on those coins which they have acquired on the secondary market

So the banks have got the best of both worlds

By government decree they are the exclusive sellers of "new" Krugerrands for which they reward themselves at a rate of about 5%.

In addition to buying "at the going rate" they sell at the higher rate with a rake off of about 15% or so.

So from the private buyers point of view, the JSE or the SA Gold Coin Exchange offer the best deal. But it appears the seller will get much the same deal whether he sells to the banks, on the JSE or through the SA Gold Coin Exchange.

some discrimination in their choice of treat-
was very difficult. In the Sundays River
, the source of treatment was changed (though
d). In Tiersdorp, this proportion was 24% -
iller possibilities for alternative choices.
g alternative choices were distance to a pre-
(see summary Table 9) and dissatisfaction
There was a tendency for dissatisfaction to
rict surgeons than other doctors. There may
this, in that there was likely to be a greater
he Valley at least, financial limits on pre-
n verified whether the latter limit does affect
ailable to indigent patients, but if so,
hieved by making more precise guidelines about
ugs to be used for each condition, rather than
and leaving the matter to the doctor's discretion
some patients who have the resources, or live
they are dissatisfied with treatment
lt to treat accurately when it is not customary
e doctor if s/he does not recover or find treat-
tors seldom tell black patients what is wrong
tors feel that cure is more likely under these
patients' faith is a vital element in cure,
derstanding. There may be a need for faith to
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igenous practitioner for example. However, it
ence has not explained so much that a full
leave no room for faith - the outcome of treat-
predictable - and better understanding might
the patient.
is visible in the Sundays River Valley in

ys:
y had done a great deal of preventive work; some of this, but
e.g. family planning) was done by volunteers in Tiersdorp, and
ated in the Valley by voluntary organisations. The further
t of the D.C. was partly in response to requests from the Valley.

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BUSINESS

South Africa reaps golden harvest

The South African Reserve Bank, sales agent of the country's 35 gold producers, is gradually taking a more active role in the international bullion market. It can no longer be relied on to sell constant daily tonnages to a small band of customers in Switzerland and Britain.

Since 1976, the bank has broadened its market to include US bullion dealers, such as J Aron and Company and Republic National Bank, as well as two West German banks, Deutsche and Dresdner.

These newcomers' share of South African sales has been rising in recent months and is estimated by private sector sources not to be around 20 percent of the total. A German banker said: "We're very happy with what we've been getting from the Reserve Bank in the past two-three months."

The main reason for their bigger share is, simply, that they have been offering better prices. For long periods of last year, German and American customers quoted much narrower spreads between buying and selling rates than did the Zurich gold pool.

The Americans' and Germans' meat has been Zurich's poison. The Swiss gold pool, which had a virtual monopoly on Pretoria's gold in the late 1960s now takes only about 60 percent. British dealers account for 20 percent.

It is unlikely, however, that Zurich's share will fall much further. Swiss banks have done much to promote the gold market and have been among the biggest investors in South African foreign loans.

Pretoria is thus unlikely to desert them. In any case, the Swiss have made up for their loss of bullion by becoming keen Krugerrand customers. Swiss Bank Corporation was by far the biggest buyer of coins last year, taking about 40 percent of the 4,9 m coins sold abroad.

Besides diversifying their customers, the South Africans have also begun to withhold gold from the market to keep up prices. Reserve Bank officials say that volumes may be cut for several days while they wait for prices to harden.

The tap has never been completely closed, however. The London market gets some bullion every working day, though other customers may occasionally get nothing. "It is still our policy to sell current production all the time, especially at the moment," said a senior Reserve Bank official.

On one occasion last October, when the bullion price slipped from 437 dollars per ounce on October 2 to 368 dollars on October 5, South African sales are believed to have dropped — no doubt one reason why the price climbed back through 400 dollars by October 10.

To increase its flexibility without giving the market too many clues about short-term sales policy, the Reserve Bank switched three years ago from publishing weekly figures of its gold holdings to monthly releases. The Government has also scrapped the law which compelled the bank to hold at least a quarter of its note issue and other public liabilities in the form of gold.

KRUGERRANDS

Of the 703 tons of gold dug out of South Africa's mines last year, some 22 percent was used for Krugerrands, which was slightly less than 1978, when almost 27 percent was diverted for the minting of coins.

Bullion production in 1979 therefore totalled around 540 tons. Pretoria sold a total of about 590 tons, however. The extra 50 tons came from reserves, and consisted mainly of gold repurchased by South Africa from the Swiss banks with which it negotiated a series of "swops" in 1976 and 1977.

The swops were negotiated at an average price of around one hundred and ten dollars per ounce. The repurchase price is of course higher, reflecting the interest paid by Pretoria for its foreign exchange. But it is far below current market prices. By selling this gold now rather than three or four years ago, the Reserve Bank has thus scored handsomely. — Financial Times.

KRUGERRAND SALES AS A PERCENTAGE OF GOLD PRODUCTION

Year	South African gold production kg fine	Krugerrand sales kg fine	Krugerrand share of production %
1970	1 000 417	6 563	0,7
1971	976 297	17 113	1,8
1972	909 631	16 911	1,9
1973	855 179	26 727	3,1
1974	758 559	99 645	13,1
1975	713 447	149 419	20,9
1976	713 390	93 464	13,1
1977	699 887	103 616	14,8
1978	704 449	187 003	26,5
1979 (prelim)	703 345	153 657	21,8

Star (79) 22/1/80

Gold futures hit $1 000 in new rush

By Colin Campbell, Deputy Financial Editor

American gold futures breached the magic 1 000 dollars an ounce mark in New York yesterday, with the October 1981 contract closing at 1 026,40 dollars an ounce.

However, as the gold price continued to reach fresh peaks in world bullion centres, the chorus of those warning that the gold price could well collapse was growing.

In New York gold hit a peak of 875 dollars an ounce before closing the day at 822,50 dollars, and in London the afternoon's fix was a record 850 dollars an ounce.

Although little has changed in the international political situation, which has triggered off the gold rush and has meant that the gold price has leapt almost four-fold since the beginning of last year, some market experts are now warning that the rapid inflow of speculative money into gold might as easily turn into an outflow.

"LITTLE RISK"

There is as strong a body of people who believe that spot gold will soon hit the 1 000 dollars an ounce mark as there is a body who believe that gold will take a sharp tumble.

But despite this, the gold price continues to march forward.

One leading London operater argued, however, that as long as oil exporters continue to accumulate massive financial surpluses there was little risk of a substantial fall in the gold price.

Oil exporters, he said, especially in the sparsely populated Arabian Peninsula and Gulf Region, wanted to diversify their wealth from the risk-ridden US dollar.

Gold fever must be tempered, says Etheredge

By Jean Moon

South Africa would need to temper its euphoria over the present gold price with caution and convervatism, Mr Dennis Etheredge, president of the Chamber of Mines, said in an address to the Associated Scientific and Technical Societies at Kelvin House, Johannesburg today.

Up to a level of between 350 to 400 dollars, the gold price was soundly based and in South Africa the general outlook for the industry was exciting.

The shortage of skilled manpower, however, could yet prove to be the greatest inhibiting factor in preventing the industry making the best use of the great increase in the price of gold.

And he warned: "Extraneous factors — that is to normal market considerations which have caused the inordinate rise in the gold price — can change suddenly and send the price downwards.

COSTS

"While I believe this must happen sometime, I am comforted by the breadth and depth of the market in recent times ...

... lion would, said Mr Etheredge, lengthen the lives of mines and stimulate new prospecting and mining activity in the eighties.

Referring to the problems facing the European jewellery industry which faces a 30 to 40 percent decline in gold gem consumption this year because of the rising bullion price above 650 dollars an ounce, Mr Etheredge said:

"Through the Chamber's marketing company, Intergold, we are looking at ways in which we might assist an industry which is the biggest single customer for physical gold, absorbing about 900 to 1 000 tons of the metal a year.

"Jewellery manufacturers, particularly the bigger ones, are facin difficulties in financing the purchase of now hugely expensive gold stocks, and from the inability of purchasers to pay the prices not being charged for even modest items of carat jewellery."

the South African population from all causes of death. The proportional contribution of the seventeen major disease categories of the International Classification of Disease (8th revision) to the overall mortality of the various communities is summarised in Fig. 5. The whites show a typical 'developed' country spectrum of mortality with Infectious and Parasitic Diseases being of minor importance (2,0%) and Neoplasms (15,6%) and Diseases of the Circulatory system (50,5%) being of major importance. For urban Africans and 'coloureds', Infectious and Parasitic Diseases make an important contribution to the overall mortality (1o ... with diseases of the respirator...

Mortality rates greater than 5/1 000 appear in italics in Table I. For all of these major causes of mortality, the Asian and 'coloured' mortality rates exceed those of the whites.

However, in this context, what requires emphasis is that by using the major disease classification a certain amount of detail is lost. For example, despite the fact that the overall rates for diseases of the circulatory system are comparable for whites, Asians and 'coloureds', within this broad ...

...seases become disproportionately ... genito-urinary and ill-defined causes of death (Table I) may contribute to this anomalous situation.

Fig. 7 summarises the percentage improvement in the expectation of life at birth subsequent to the total elimination of the mortality associated after a tumble, the price will be much higher than it was a year or more ago.

"But we will have to temper our euphoria with caution and some conservatism," he said.

While the prospects for the gold mining industry was bright Mr Etheredge touched on one of its main concerns — mine working costs, which he estimated at 10 percent last year and were "still too high to be acceptable."

Nevertheless, South Africa was firmly on a new golden trail and the surging price of its bul-

RUMOURS

The Star's London financial correspondent, John Cavill, reports:

Nervous selling pulled gold back from its new record of 860 dollars an ounce in London yesterday.

After climbing 25 dollars to 860 dollars, bullion was fixed at a peak 850 dollars in the afternoon but started to ease back, closing at 834 dollars in London for a net loss of one dollar on Friday's close.

Dealers reported "a lot of nervous selling" in all precious metals partly caused by rumours of new American restrictions on silver dealing and an unconfirmed report that the giant broking firm, Merrill Lynch of New York, was refusing to accept new business in gold, silver or platinum.

Platinum, which reached 930 dollars an ounce, "bobbed about" before closing at the fixing level while silver was down 27,6p at 2 137p.

● WASHINGTON — The Washington Post said in an editorial: "the pressure currently inflating the price of gold is coming from a part of the world that has never put much trust in paper money or in banks or, for that matter, in governments.

"Gamblers all around the world have enthusiastically joined in the game, but the tremendous flows of cash that lift the market are coming mainly from the Middle East."

C.T. 23/1/80

(79)

Gold plunges $145 an ounce

By GORDON KLING

EXPECTATIONS of a crack in the gold boom were vindicated throughout world bullion markets yesterday with the price plunging by $145 an ounce to about $705 at the close, in London last night.

The record-breaking drop to the close, as reported by Associated Press, from the previous day's afternoon fixing was attributed to various imponderables including profit-taking, renewed strength of the US dollar, fears of government curbs on gold dealings and speculation on the resumption of US Government gold auctions.

Gold shares tumbled in moderate trading on the Johannesburg Stock Exchange, with speculative issues losing more than 10 percent on the day, but brokers were quick to point out that good dividend yields still made the shares worthwhile investments. The price correction was considered inevitable by authorities including the Minister of Finance, Senator Owen Horwood, who say that the trend is continuing upwards.

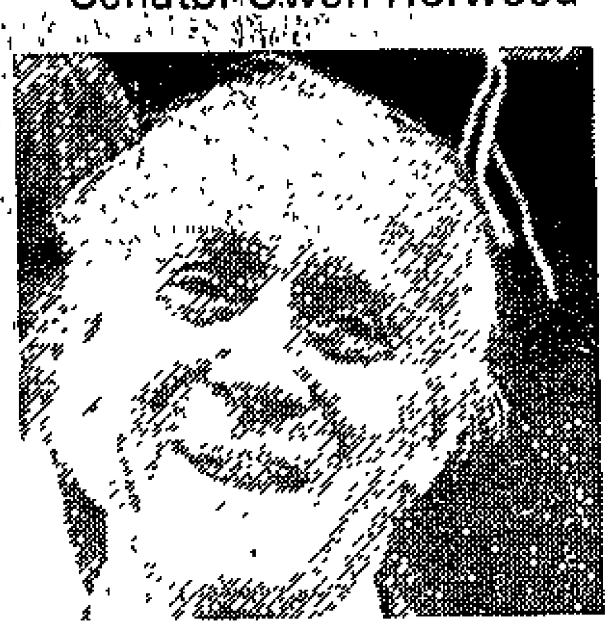
The Kruger rand dropped substantially and branches of at least one major commercial bank yesterday refused repurchases from clients amid growing complaints over the sale of the coins in South Africa.

Senator Owen Horwood

The former United Party finance spokesman, Mr Harold van Hoogstraten, said the dramatic reversal in demand for the coins, first disclosed yesterday in the Cape Times, highlighted irrationalities in the marketing of the coins in the Republic.

And a Cape Town coin dealer urged investors who had ordered Kruger rands from their banks, and then changed their minds, to take legal advice if the banks insisted that they accept delivery.

Referring to the 15 percent premium attached to the limited number of Kruger rands sold to South African residents through the commercial banks, Mr Van Hoogstraten said a fictitious value had been created for the coins through rationing.



Mr Harold van Hoogstraten

"There is no justification for the banks to sell the coins at a premium, particularly now that the country's foreign-exchange reserves are flush. The time has arrived for the government to permit the coins to be sold here in the same way as anywhere else."

One irate investor told the Cape Times that his bank had yesterday refused to purchase his Kruger rands from him till it could match them with a buyer. The branch confirmed that it had received instructions from head office that it was under no obligation to repurchase the coins.

Prevailing opinion in financial circles puts the gold price between $350 and $500 an ounce on purely economic considerations, compared with a level of about $300 built into the national budget for the current financial year.

● Earlier reports, page 10

Kruger rands stolen

JOHANNESBURG. — Kruger-rands worth R21 000 were stolen from a broker's offices in Diagonal Street here yesterday.

Detectives were told that the 34 coins had been left in the offices of Cliffe Neale and Company on Monday night and were missing yesterday. They had not been put into a safe, a police spokesman said. — Sapa

rural areas or cause of deaths' according to the Bantu Reference Bureau (Personal Communication). At least 50 000 deaths among Africans were not registered. These occur mainly in the rural areas. It is estimated that about 10% of the deaths in the main urban districts are not registered for Africans.

METHODS

The following indices were calculated:

1. Crude Mortality Rates.
2. Standardised Mortality Rates. Two standard populations were used: England and Wales representing a developed ... Mexico 196...

DISCUSSION

The crude death rates and the standardised mortality rates for whites, Asians and 'coloureds' and urban Africans are presented in Fig. 1. The interpretation of these figures is confounded by the differences in the underlying structure of the population. The population pyramids of the various groups were pictured in Part I with the exception of the urban Africans, which appears in Fig. 2. This population shows an excess of healthy working males and lack of elderly persons as a result of the migratory labour situation.

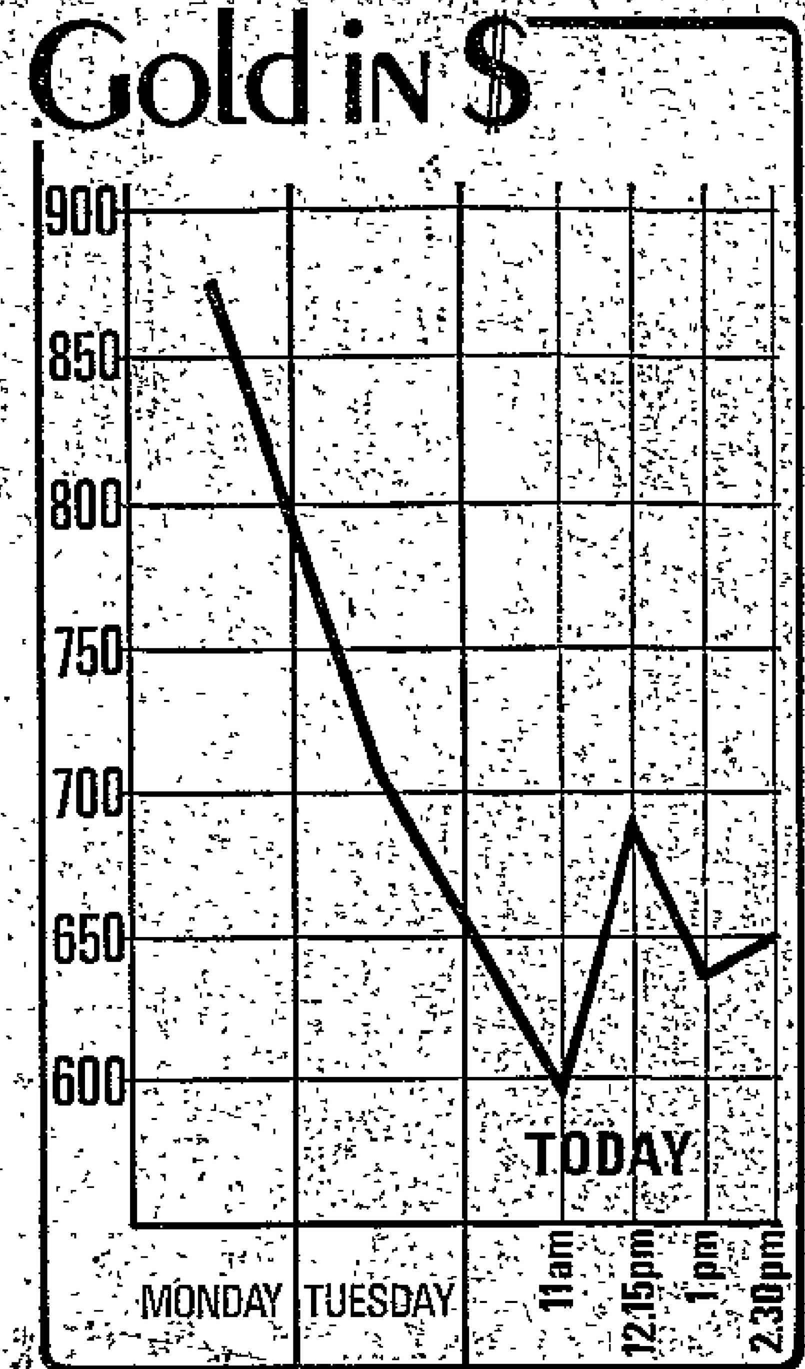
experience of a population which can ...

The standardised mortality rate provides a single figure for the mortality ... fully expressed in terms of a ... is calculated by multiplying ... bserved population by the ... ion, adding the number of ... ndard population. While ... re of the observed population, ... fect the weighting given to ... ioice of an underdeveloped ... it to infant deaths and little ... veloped standard population

[redacted]

Star 23/1/80 (79)

Biggest drop yet . . . then 100-dollar jump



Gold in wild see-saw

By Michael Chester and John Cavill

Gold bounced in wild yo-yo fashion on bullion markets today as it first plummeted to 590 dollars an ounce in the sharpest slide on record and later soared back at equal speed to 690 dollars.

Zurich, where South Africa markets most of its gold, felt the greatest impact of the trauma in the first two hours of international bullion trade.

But the action was almost matched in London, the key market pace-setter, as prices tumbled to 595 dollars, rebounded to 685 dollars, sank to 640 dollars, with movements more than one dollar a rs at the first fixing session by the minute. It edged back to 650 dolla main bullion houses.

The initial plunge to 590 dollars in Zurich stripped as much as 285 dollars — more than its entire total value only a year ago — from the peak it touched less than 48 hours ago.

Dealers had forecast a turnabout of the gold rush, which many saw as an almost hysterical reaction to political tensions caused by the confrontation between the United States and Russia.

Gold toppled today on reports that Panama had detained the Shah of Iran, which observers interpreted as a first move to defuse US-USSR tensions.

But speculators and investors also had to weigh the damage to East-West detente threatened by the Russian banishment into exile of Nobel-prize winner Dr Andrei Sakharov.

As usual, gold was under the influence of political currents and undercurrents.

Most dealers were stunned by the speed of the retreat, which first began in London yesterday and soon spread to Zurich and across to New York.

"It has been chaotic and almost impossible to deal at times," said one trader at the big bullion house, Sharps Pixley, in London last night.

"We expected a reaction but the savagery of today's fall was nearly impossible to handle."

US moves

Another dealer added: "Gold was ludicrously over-bought and the market was so thin that any fall was bound to be as severe as the rises we have seen since Christmas."

Also in retreat were platinum, down 105 dollars to 825 dollars an ounce, and silver, down 316 pence to 1 821 pence.

The decline of precious metal prices was accelerated when Mr Paul Volcker, chairman of the US Federal Reserve, told newsmen in Washington that gold would be used by the US in moves to pull down inflation.

It was taken as an obvious hint that more big gold auctions by the US Treasury might be imminent to flood the market and so induce lower bul-

Cutbacks

South Africa had already been alerted about the dangers of relying on an endless gold boom. Mr Dennis Etheredge, president of the Chamber of Mines, advised both caution and conservatism when he addressed a business meeting in Johannesburg yesterday.

He argued that up to a level of between 350 and 400 dollars the gold price had a sound base. If the price stayed over 650 dollars however, South Africa might suffer cutbacks as heavy as 30 to 40 percent in demand from European gold jewellery producers, among the biggest consumers of all.

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ories).

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					M	F	M	F
0-1	0,09	0,05	0,06	0,21	2,27	1,68	2,31	1,96
1-4	0,03	0,01	0,00	0,05	1,27	1,08	1,02	1,29
5-24	0,01	0,01	0,01	0,01	0,01	0,01	0,02	0,02
25-44	0,02	0,02	0,08	0,08	0,08	0,05	0,06	0,07
45-64	0,09	0,12	0,39	0,88	0,28	0,42	0,24	0,61
65+	0,39	0,59	1,61	2,59	0,81	1,28	1,04	1,44
ALL	0,05	0,08	0,12	0,18	0,28	0,26	0,22	0,33
No.	114	173	43	63	316	307	455	530

					C		B	
					M	F	M	F
					0,06	0,16	0,04	0,06
					0,07	0,05	0,03	0,04
					0,06	0,04	0,05	0,04
					0,54	0,56	0,34	0,36
					5,10	2,68	2,32	1,91
65+	[illegible]	[illegible]	4,70	[illegible]	12,59	7,51	6,16	4,10
ALL	1,41	1,21	0,36	0,43	1,03	0,69	0,58	0,45
No.	2920	2522	126	152	1170	809	3472	715

II

79

Gold trading —danger signs are there

The Star Bureau

LONDON — Gold continues to dominate the metal markets and with the bullion market fluctuating at more than 100 dollars a day — in both directions — there is only one word to describe trading: dangerous.

It is probably the measures by the US exchanges, such as the New York Comex and the Chicago Board of Trade, preventing the purchase of additional silver contracts, and earlier pushing up the margins required before positions could be taken up, which interrupted the rise in gold prices.

Although the measures — imposed without the active intervention of the US watchdog body, the Commodity Futures Trading Commission — were only directed at silver, their effect spread to all the precious metals. Possibly the thought that the CFTC might act proved effective enough.

TENSION

Nevertheless, once the price had dropped from its highs of 850 dollars an ounce only a few days ago to less than 600 dollars, fresh buying interest started to come in.

Given the metal's recent history, a price of about 580 dollars could reasonably be described as "cheap," said sources.

And the fresh demand that this generated was enough to push the price of gold back up to 695 dollars at yesterday afternoon's fixing.

In the meantime, the underlying world tension which was the cause of gold's spectacular rise remains.

Silver fluctuated broadly in line with the gold price and in consequence spot metal was fixed in London at 3 874,80c an ounce yesterday — above the recent lows of 3 450c but below the highs of 4 900c reached on Monday.

COPPER

And the same could be said of copper, which in the early part of this week scaled a high of £1 350 a ton — almost the peak reached in 1974 and dropped to a low of £1 120 within one and a half trading days. Three-month metal stood at £1 221 midweek.

Lead also followed the twitches of the bullion market, reaching £526 a ton in the three-month position before easing back to £503,5 midweek.

FM 25/1/80

(79)

KRUGERRAND MARKET

Banks red-faced

The SA Krugerrand market has collapsed precipitately, as a large number of local holders moved to dump their coins in the wake of wild gyrations in the bullion price.

In a swift move aimed at stabilising the situation, the Reserve Bank has put a floor under the market.

Recent events in a hectic gold market have also exposed most of the commercial banks to a serious charge of conflict of interest between themselves and their clients, illustrated by the gaping discount between the bank selling price of KRs and the prices offered by other sellers.

Concurrently, growing public resentment at unfair bank allocation procedures of the past seems likely to motivate an official decision to take KR marketing away from the banks entirely.

On the issue of conflict of interest, it is not difficult to argue that the banks have actually been wearing two hats, so far as KR retailing has been concerned.

On the one hand, they hold themselves out (as they always have) as financial and investment counsellors to their customers, especially the "little man." On the other, they have been dealing in the coin for

The *FM* wishes to inform readers that its new telephone number is 29-2081. In the 1980 directory, the old number — 21-1651 — is still listed for the *FM*. This number has, however, now been allocated to Barclays Western Bank.

P.T.O

:UNDAY TRIBUNE, JANUARY 27, 1980

27/1/80

24-(79)

Tax concessions for gold mining expected

By Colin Vineall

Mike Brown, Chief Economist at the Chamber of Mines, says that from the South African point of view, one must assume exchange control will continue, so one will be limited to investing in South Africa.

Speaking in general terms, Brown said: "We are looking at a growth rate of about five percent a year, which we have got to achieve — otherwise the unemployment situation becomes so bad.

"We are also looking at a growth of about six percent a year over the period up to the mid-1980s. So the opportunities for new investments to reach that target growth rate have got to be pretty substantial.

"Secondly, Senator Horwood said in his last budget that he was going to try to reduce the amount of public sector investment in the economy, which at the moment is running at about 70 percent of the economy.

"He has committed himself to reducing that to 40 percent by 1981, which means that the major brunt of new investment in South Africa will have to be taken up by the private sector.

"So the authorities will have to make it more profitable for the private sector to take up this investment, which means tax reforms.

"We are therefore going to have a situation where more disposable income will be available for investment.

"Also I think that as the economy grows, that savings rates will increase. I believe foreign confidence in South Africa will get a little bit better so that the inflow of foreign capital from abroad, which has been negative for the last three years, will turn positive.

We are assuming that as the world gets more and more into an economic mess — and this is based on our contacts abroad — so more people will be willing to invest in certain areas of South Africa.

"Assuming the Government is so flush with taxation from gold mines with the gold price going up and working costs virtually under control, we think it is going to make tax concessions to the gold mining industry which will enable new investment to take place.

"As a whole the industry mines gold at a grade of about nine grams a metric ton. But at present prices a lot of gold at lower grades has now become viable.

"And whether one likes the idea or not of new gold mines starting, we believe there's a substantial potential for mining of low grade gold reserves which it has not been payable to mine.

"This makes me believe that investment in the gold mining industry will continue well through the 1980s.

"The gold market is becoming broader all the time and we now have substantial Middle East participation.

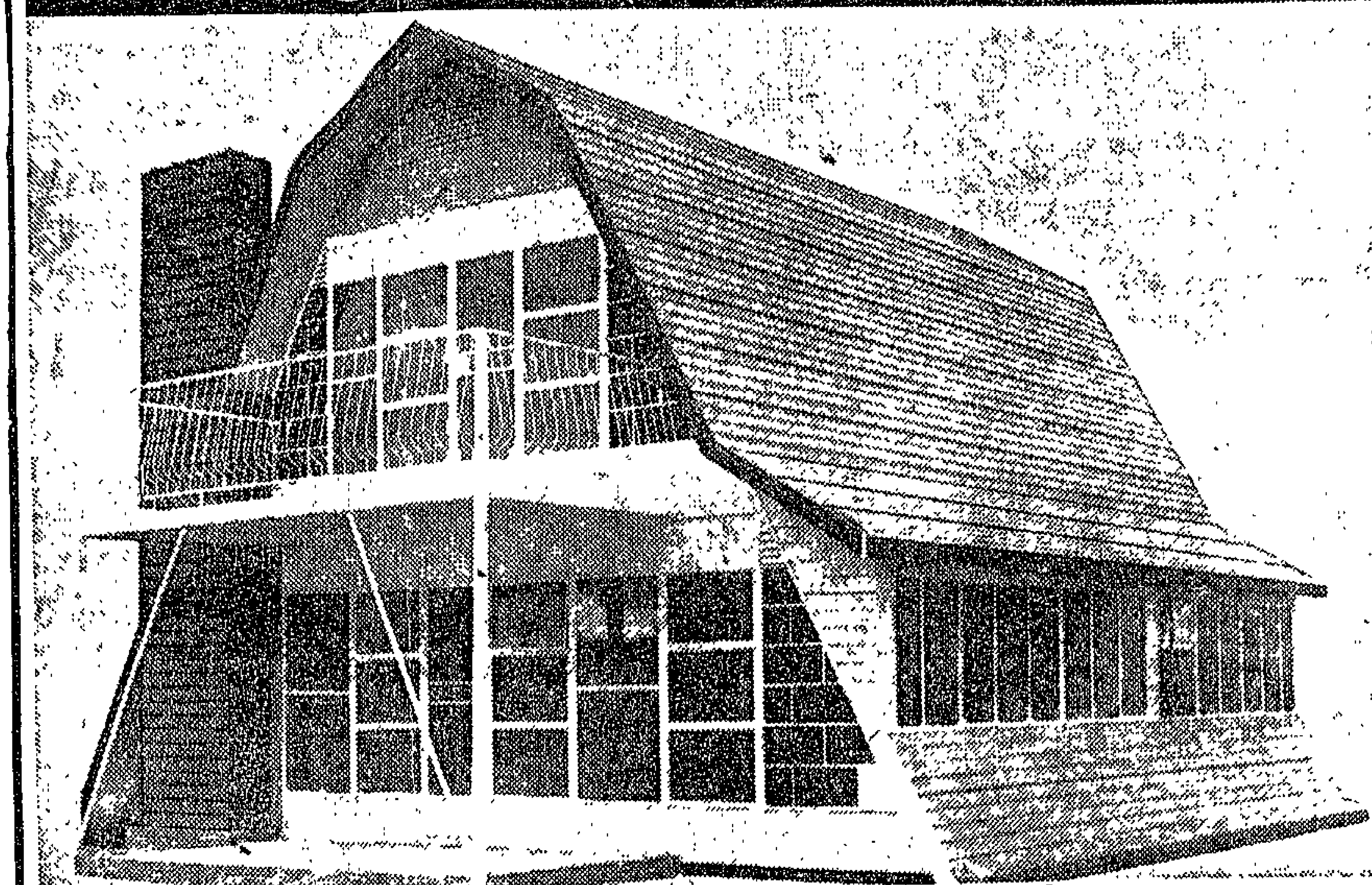
"We see a big growth in the market in the United States where the citizen has never been involved in investing in gold — it was illegal from 1932 until 1975 but it now looks as though it is starting to take off.

"We think that as gold interest increases in the States, so the Krugerrand market will continue to grow. We don't think the other coins are competition, because their premium will always be higher, and we have had about eight years establishing the market.

"But in South Africa we are only allowed to sell 2 000 Kruger rands a week so it is a good investment — if you can get hold of them.

"From a South African point of view I think the energy crisis has obviously made it profitable for the development of our energy resources. We have had this massive investment in coal mining recently and I believe this will continue."

Exciting news on the home front



Do-it-yourself houses .. all the rage in America

Buy a kit, build your own home and save money

Tribune New York Bureau

MR and Mrs C. R. Justice have sold their suburban home in Reston, Virginia, in the US to Mr and Mrs William Swope. The price was 188 000 dollars (R155 000) — a reasonably "normal" sum in America.

In the same newspaper which recorded the sale, an estate agent advertised a five-bedroom home with "dramatic heavy oak staircase" and "ample space for pool and tennis courts" at 395 000 dollars (R325 000).

Prices like these are affordable in the United States but not by everyone. So some people are taking hammer in hand and building their own houses from pre-fabricated kits.

How much they save is a variable which depends on many factors but the promoters of the kits say it will be at least one third.

Pre-cut and pre-drilled housing kits have been on the market for many years but were seen, until interest rates soared recently, as being suitable only for holiday shacks.

One firm which is getting more and more inquiries is Shelter Kit Incorporated, run by electronics engineer Andy Prokosh.

The basic kit enables two people to create a 4-metre by 4-metre module in four days. Tools, ladders and even carpenters' aprons are part of the package, which costs 2 600 dollars (R2 170).

According to Mr Prokosh, the less one knows about building the better one will understand the exhaustive instruction manual, which is designed to reassure the beginner.

The manual has full-scale drawings of each size of nail and screw so that the most helpless amateur can find out exactly what goes where.

One big snag, Americans have found, is a reluctance by the banks to make loans for do-it-yourself homes.

Bank managers fear that a homebuilding project might be abandoned halfway through, or that a do-it-yourselfer might build something so weird that it would be unsaleable and therefore without any foreclosable value.

Kitmakers are trying to convince the banks that there need be no fears on this score.

Unions call for wealth sharing

NATAL MERCURY 1/2/80

79

Mercury Reporter

THE Federation of South African Trade Unions (Fosatu) has called on the Government to use the gold price boom and the improvement in the economy to help unemployed and lower-paid workers.

Fosatu said in the fiscal year to March, 1980, Government tax revenue from gold would total about R1 600 million.

Referring to Government moves to import foreign skilled workers, Fosatu said, in 1977, about 75 percent of the 286 000 artisans employed in South Africa were white. This racial imbalance had to be corrected rapidly and all discriminatory practices removed.

The Trade Union Council of South Africa (Tucsa) has already commented that large-scale immigration in the absence of serious efforts to train the unskilled and unemployed would sabotage the country's labour reforms.

Post 1/2/80

79

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Fosatu: 'Use gold boom to help the poor'

By JOE THLOLOE

THE Federation of South African Trade Unions (Fosatu) yesterday urged the Government "to use the gold price boom and the improvement in the economy to redress the serious plight of the unemployed and of the lower-paid workers".

In a statement issued after a meeting of the federation's executive committee at the weekend, Fosatu argues that "in the financial year that ends in March, the Government's tax revenue from gold will be R1 600 m more than double budget estimates and that the South African economy has moved into the early stages of an upswing."

Fosatu is a grouping of 14 mainly unregistered unions with an estimated membership of 45 000.

The federation urges the Government to:

- Abolish General Sales Tax on all basic foods, clothing and essential household items;
- Increase transport subsidies to prevent increased bus and train fares, especially for commuters from black townships;
- Improve unemployment and pension benefits; and
- increase expenditure on basic social services in housing, health, education and transport.

The federation argues that R500 m a year would build 100 000 houses at a cost of R5 000 each.

Fosatu also urges private businesses to:

- Increase the amount spent on training;
- Increase employment rather than overtime and shift work "as the order books begin to fill"; and
- accept that wage rates must be consistent with an acceptable standard of living, which "in present circumstances requires a minimum wage of R1 an hour."

GOLD PRICE

Fosatu says that the R1 600 m is based on an average gold price of 300 dollars an ounce, while the present price is firm at the levels of 600 dollars and above.

"The economy has moved into the early stages of an upswing," the statement says.

"By September 1979, the manufacturing production was six percent higher than the year before. The steel and engineering industries have shown most improvement, with steel production up by 12 percent and iron by 23 percent."

There's gold in them thar hills

(79) FM 1/2/80

It sounds a great idea — a way for the small man to get in on the gold price rise and make himself R20 000 in a month. But, like all ways of making a quick buck, it is fraught with risks and complications.

The exciting thing, however, is that it might just be possible.

The idea comes from Johannesburg advertising man Peter Goodship. "For an outlay of 35c, transport costs and a month of his time, a man can go to the Eastern Transvaal and work out gold," he enthuses. "At today's prices only a few ounces a month can mean a lot of money."

Goodship, who is a history buff and heads Pro-Am advertising agency, argues that old mining methods were inefficient and that there is a lot of gold still lying around old stamping mills and in river beds around Barberton, Pilgrim's Rest and Sabie. And the gold is near the surface, unlike that on the Reef where deep-mining methods are necessary.

It's hard work getting out the gold and few except some hardy oldtimers have considered it worthwhile up to now. But the heady height reached by gold on the world bullion markets has changed all that — for the present. "I'm told that a few years back when gold was $35/oz, some old timers were making R1 000 a month," says Goodship. "That means they were extracting 28 oz. At a price of $600, that amount of gold would now bring a prospector about R14 000. And even a yield of 2,5oz a month means about R1 230 at that price."

The Mining Commissioner's fee of 35c a month has not changed since the turn of the century, Goodship points out. And all one needs is a pan, a pickaxe and a little knowledge of geology. The way to get the gold is by "vamping" — a term given to working an old claim. Essentially, one tries to extract the gold the original miners missed. The rock pillars they used to hold up the roof, for example, probably contain gold, says Goodship. The gold, he adds, can be sold at the local bank.

Goodship says he was last in the Eastern Transvaal, where he acquired this information, some two years ago. So why does he not go now and put this information to good use? "I'm too busy running my business," he replies.

So far, so good. But, inevitably, there are complications. The Mining Commissioner for the Barberton district, D J Lourens, says that an initial problem is that there are few areas at present for which he can grant claims. Some old mines have been closed for prospecting unless special permission is obtained from the Minister of Mines, he tells the *FM*, while all the others are in the hands of people who renew their claims every three months and a claim takes three months to lapse after failure to renew it.

Lourens says he has some claims available in the Sabie area, but emphasises: "You take them at your own risk." And,

he adds, a claim must be worked. Anyone trying to get a picnic spot for 35c a month will be in hot water when his inspectors come to check on the pegging, he warns.

The result is that people who do have claims are selling them for large amounts. The *FM* understands that one recently changed hands for R7 000. They are transferable and such a transaction is legal.

Assuming a would-be prospector overcomes these hurdles and obtains a claim, the next problem is to obtain the gold itself. "If you can get an ounce a week, I would say you are doing very well," says Lourens. "You must have machines. It is not just a matter of panning. You must get the gravel out, you need water, pumps and crushers and all this can cost you thousands of rands."

Others say, however, that while this is true for the mountains, it is easier to work an alluvial claim where such machinery is not always necessary. Goodship avers that in some areas grass next to a river bank can be pulled up and the soil shaken off will contain a small amount of gold that can be obtained by panning.

Assuming further that one obtains the gold, it is then necessary to sell it. A prospector can register with the Inspector of Mines or the Mining Commissioner can grant a permit. It is only against this permit that a bank will consider buying the gold. And few banks have the facilities today to weigh the gold or to buy it. But the manager of Volkskas in Barberton, K Olivier, says it has the facilities to buy the gold, but he adds the warning: "There is a lot of drama attached to it." The bank sends the gold to Rand Refineries and pays the prospector the value of the gold after it has been melted down and purified.

But the human spirit is not easily deterred and Barberton locals confirm that there is a mini-gold rush taking place in the region, site of the first gold mines in the Transvaal.

"This thing is catching on," says a local bank manager. "A lot of digging in the mountains and panning along the river bank is going on."

Lourens, too, confirms there has been a rush in the last two months since the gold price began rising dramatically. His office has been inundated with inquiries and his two inspectors have been kept unusually busy checking on the pegging of claims. But Lourens says he has not heard of any exciting discoveries, although he concedes he would not necessarily do so.

"Those days when it was easy to dig up gold have gone forever," he adds. That, however, is not likely to deter some people from trying, anyway. [illegible]

No major rise expected in gold production

Star 5/2/80

77

In spite of high prices for gold, world production of the metal seems unlikely to show very much increase in the 1980s, according to leading spokesmen at the Toronto conference on gold sponsored by Canada's Financial Post.

Paradoxically, the basic reason for this is that the high prices have made it economic to mine ore with a relatively low gold content but there has been no great increase in the amount of ore mined.

At the same time, soaring capital costs, coupled with the scarcity of new high grade gold deposits, rampen prospects for a major increase in new mining operations.

One area that seems likely to step up production is the Peoples Republic of China, according to Mr Michael Beckett, an executive director of Consolidated Gold Fields. He pointed out to the seminar that Chinese output is broadly similar to that of the US and Canada, somewhere in the upper end of the 30-60 ton a year range.

Extensive exploration is being carried out and Mr Beckett concluded that: "it would not be too fanciful to look for a 50 percent and possibly even a 100 percent increase in Chinese gold production by the 1990s."

Mr Beckett said that estimates of Soviet bloc are now being prepared and will be detailed in Gold Fields' annual survey "Gold 1980," which will be available in June. In the meantime he thought that Russia's sales to the West last year fell to about 200-250 tons from just over 400 tons.

FALL

A major mine is the Muruntau facility which should be able to maintain an annual output of 80 tons "for many years." However, he thought that the earlier estimates of Soviet annual production of about 450 tons may have been too high in which case some of the sales in recent years must have been drawn from stocks.

As far as the non-communist world is concerned, Mr Beckett anticipated no major change in 1979 output from that of 1978.

Speaking from Canada, Mr Malcolm Tashereau, president of Dome Mines, reckoned that any increase in his country's production "will only happen over time, perhaps three to five years."

Mr Dennis Etheredge, president of the South African Chamber of Mines, pointed out that South Africa's production — the highest in the world at some 703 tons — fell by 25 percent over the past eight years while the amount of ore mined rose 16 percent in the same period. This, of course, is a reflection of the continuing trend towards mining lower grade ore.

PRICES

At the same time, the higher gold prices have extended the lives of the mining operations and kept open some of the mines which would otherwise have closed down.

He also believed that there would also be a redoubling of efforts to find more gold orebodies in South Africa with more attention being paid to the prospects of the old goldfields around Barberton, Sabie, Pilgrim's Rest and Lydenburg. Some new mines must be expected, he thought. — Financial Times.

PARLIAMENT

SAW 6/2/80

(79) ~~266~~

Use gold bonanza on education, urges Schwarz

Political Staff

THE ASSEMBLY — The urgent need for vast expenditure on the education and training of blacks emerged as a central theme of the Opposition attack in the Assembly yesterday.

It was spelled out at length by the Opposition's leading spokesmen on Finance and Economic Affairs.

Mr Harry Schwarz (PFP, Yeoville) warned that there were again rumblings in the schools and there could be no doubt that these were fertile grounds for emotive disaffection.

Using the gold bonanza to close the gap in spending on education would produce immediate benefits and ensure long-term advantages.

"The scholar and the student, together with the unemployed, are the major fields where impatience takes root and the preachers of violent means of change can find receptive ears.

"Not only should children be kept at school while they are capable of receiving material benefits from education but they should be kept in a state of contentment," Mr Schwarz said.

Dr Zac de Beer (PFP, Parktown) said that a serious imbalance had developed in which technological advancement in the economy had been allowed to outstrip entirely the educational development of the people.

SINGLE SYSTEM

"We will only have a healthy balanced economy when we have greatly improved the quality of education and training among the mass of our population," he said.

"Until there is a single education system for all children, with the same standards for everyone, the economy will suffer a shortage of skilled labour," Dr de Beer warned.

He said it was tragic that the Government had had to resort to the importation of skilled labour to alleviate the skilled labour shortfall.

"But never let us underestimate the bitterness that is evoked from our own black fellow South Africans when an announcement like that by the Minister of the Interior is made.

The reaction of blacks to the announcement on January 27 made it clear that black people saw their economic interests "indissolubly linked" with their social status and their political position.

"That is why anyone who thinks that he can maintain stability in our country for any length of time by improving the economic lot of the black people without giving them effective political rights is deluding himself most dangerously," Dr de Beer said.

KRUGERRAND MARKETING

FM 8/2/80

No repentance

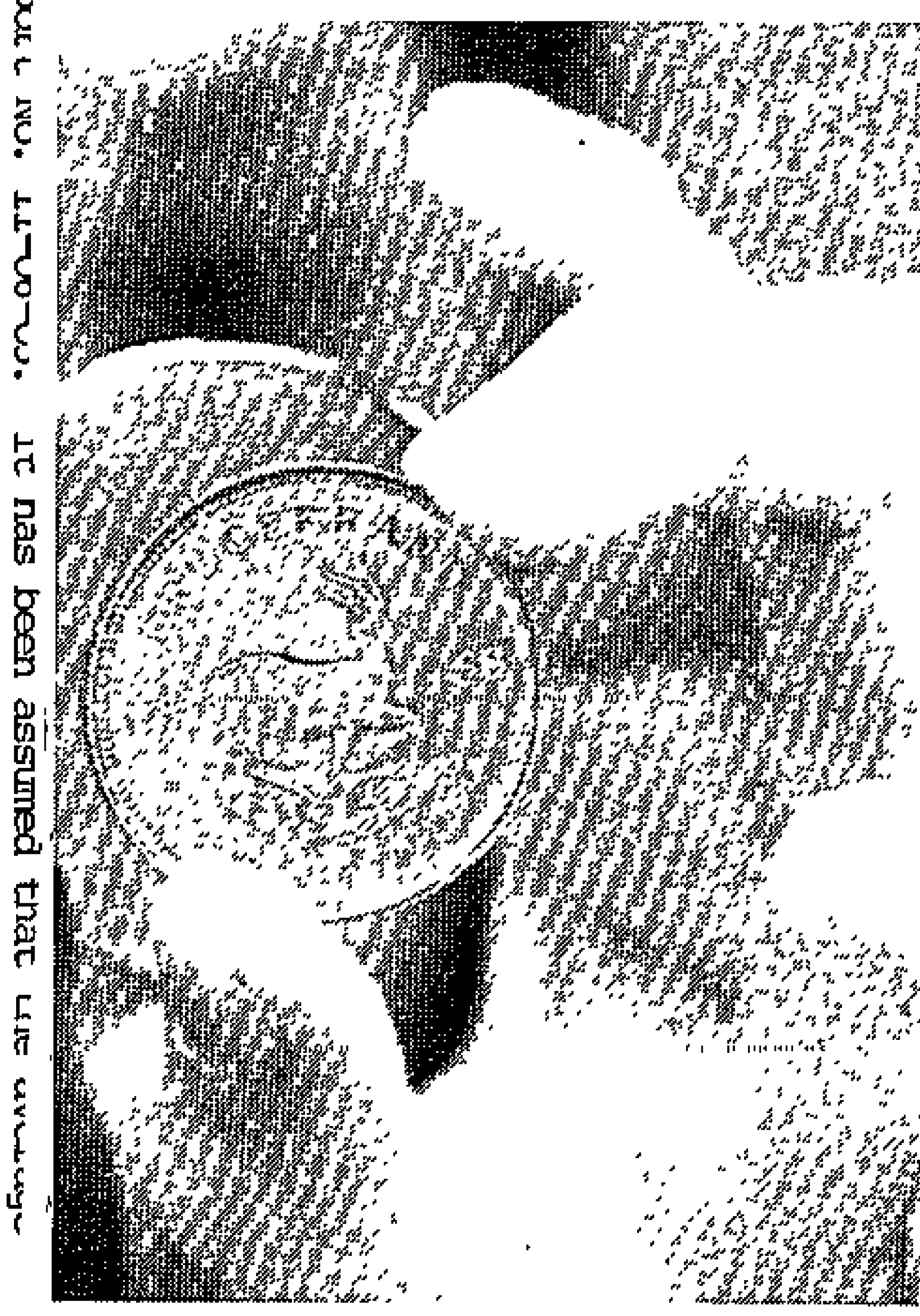
Barclays Bank is still selling Krugerrand at prices well above those available on the Johannesburg Stock Exchange and the SA Gold Coin Exchange, while its repurchase prices are still well below the Reserve Bank repurchase price (based on the average of the last two London gold fixings).

On Tuesday, February 6, Barclays' buying price was R530, and its selling price R630,83. The JSE recorded buyers R580, sellers R590, while the SAGCE had a range of R578-R599. The Reserve Bank was purchasing KR at R546,13. So, a Barclays client who went to his own bank would have received R16, or some 3%, less than if he had gone to the Reserve Bank, and R50, or over 9% less, than if he had sold on the JSE.

On the buying side, the Barclays price of R630 was some R30 over the top end of the SAGCE range, and R40 over the JSE seller's price. The last comparison reflects a differential of over 6% against Barclays.

So Barclays Bank continues to place its own financial interests as a dealer in KR above. those of its clients,

On Wednesday night a spokesman for the bank was not prepared to comment.



Krugerrand . . . shop around carefully

Financial Mail February 8 1980

11. B. Abel-Smith, An International Study of Health Expenditure, op. cit., pp.40-44.
12. E. Kleiman's study cited in A.L. Sorkin, Health Economics in Developing Countries, Lexington, 1976, pp.108 and 109.
13. B. [redacted] Study of Health Expenditure, p.41.

Department of Statistics Report No. ... It has been assumed that the average per capita expenditure of urban white households (in major urban areas) applies to the whole white population. In 1972, 86 per cent of doctors in private practice were white ... ould have ensured that whites received the ... would also have occupied the majority of ... it, which accounted for 25 per cent of

...enditure, see H.E. Klaarman, The Economics ... 65, pp.31-36.

...dical aid membership is from the Report ... nexure 17. Medical Aid Schemes covered only

...Services Report for the Cape.

...l and O.F.S. In the Transvaal, costs per ... als were R12,42; black hospitals R6,39 ... In the O.F.S., the costs of the same

...al Services, 1969, and Report of the ... ended 31 March 1970, for Natal,

...on Hospital Costs', in Health Economics,

..., in Health Economics, op. cit., p.277-280. ... onents of cost such as salaries and wages ... st of other activities such as feeding ... ly falling!)

...crimination in South Africa see: ... and M.D. McGrath, ... of Wage Discrimination in South Africa', Oxford Bulletin of Economics and Statistics, vol.39, no. 4, November 1977.

31. This pattern is prevalent in developing economies. See M. Lipton, Why Poor People Stay Poor.
32. Calculated from the Hospital and Nursing Yearbook of South Africa, 1970, op.cit., ... All beds are included.

...th Africa, Benbo, 1976, p.203.

...of health Services 1972-1973, op.cit., Table 1,2 and ... 1974, op. cit., Table 1,23.

...cit., p.203.

...tribution and the Composition of Final Demand in South ... 45, No. 4, December 1975, pp.400,401.

... for white income elasticity of demand for medical care. ... n the U.S.A. the proportion of income spent on health ... ained constant over time, despite low income elasticities. ..., pp.24-31. Expenditure of white urban families rose ... come in 1955 to 3,0 per cent in 1975.

...ojections do not seem to take account of the high ... ors.

40. For discussion see A.L. Sorkin, op. cit. pp.110-112.
41. O. Gish, 'Resource Allocation, Equality of Access and Health', World Development, Vol. 1, No. 12, December 1973, pp.37-44
42. There is no evidence for South Africa, but O. Gish, ibid, p.40, cites evidence showing that the catchment area of Tanzanian hospitals is extremely limited: over 91 per cent of patients at the national referral hospital in the capital came from within a radius of 15 km.

79 FM 15/2/80

ANGLO/CONS GOLD

Main Street strikes

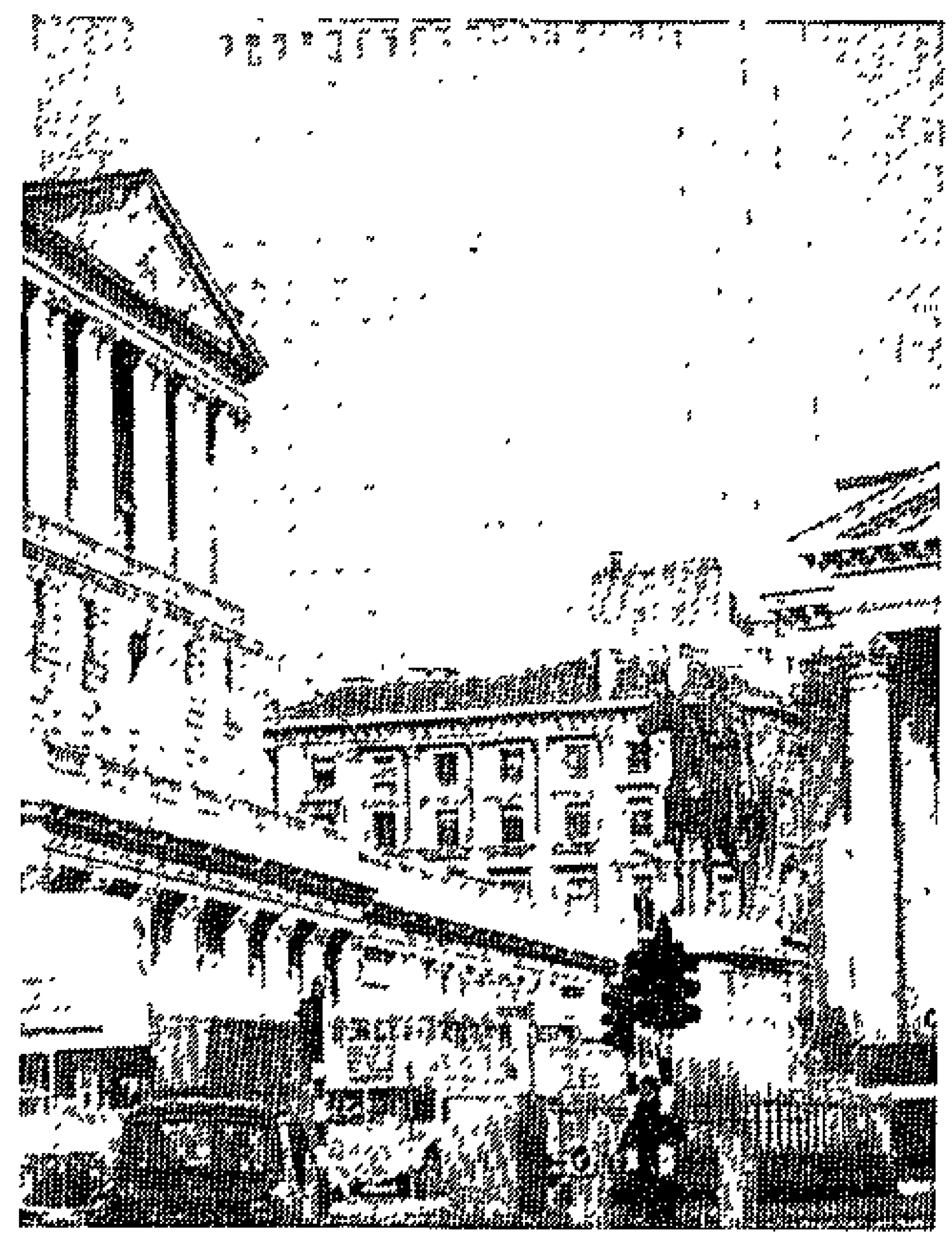
The *modus operandi* might be familiar, but the impact promises to be considerable. That Anglo American/De Beers group would want 25% of Cons Gold is understandable; that Cons Gold's management is wary is justifiable. And whatever the real reason, the purchase has sharply focused investor attention on a revitalised Anglo group. (See *Fox*.)

In the past, the greater Anglo group has had scant success in establishing grass-roots projects outside Southern Africa. (Remember Tenke Fungurume and Somima?) But it has been successful at negotiating strategic stakes in flourishing enterprises. And the creeping acquisition of Cons Gold is a classic example of how the group can pull together and wield its burgeoning cash flow, in this instance initially through De Beers.

The official line is that the Anglo/De Beers stake is merely a blocking mechanisn. Which is the same as saying, if I can't have it, nor can you, so there. Not really convincing for a sophisticated multinational is it?

Few analysts will deny that *de facto* control already vests in Anglo's hands. So why go for more and be forced to make an offer to minorities? It now has the final say on how to manage over 44% of the world's gold production. (Care for a CSO for bullion — Reserve Bank permitting?) Along with this are varied mining interests in Britain, the US, Australia, Canada, Indonesia and elsewhere, as well as indirect interest in SA base metal producers and the developing Black Mountain project.

Justifying the purchase alone on the basis of current and future dividend flows is to belittle Anglo's investment acumen. A more plausible rationale is that this is the key to future swapping of interests both here and abroad. And a vehicle for Anglo to further its diversifications through Minorco, which, rumour has it, is becoming one of the Oppenheimer family's more serious investments. Even so, Anglo will probably prefer to let the dust settle for a few years before exercising its influence.



The LSE . . . rules "bent"

Chairman Harry . . . the master strategist

More recently Cons Gold has become an increasingly desirable asset. And it was a wide-open situation, with no single investor or group clearly holding much more than 5% of the equity. Obviously, with so much in common, Anglo could not afford to let another beat it to the draw.

That De Beers was the vehicle emphasises the usefulness of its cash holdings — and credit rating — as well as the Anglo family's unity of purpose. It was easy enough to ensure that ample stand-by facilities were available in London. Puzzlingly enough, some use was apparently made of the Financial Rand market.

Initially, De Beers built up its stake to just under 5%, so avoiding the need to disclose its position under UK Companies Act legislation. But when "unrelated parties" were found to have built up a strategic stake of about 9%, De Beers had to act fast.

It managed to negotiate an option over this block, and then went the whole hog on

Tuesday, buying up 16.5m shares at 615,5p through traditional broker Rowe & Pitman In total, reliable sources indicate that the whole parcel cost between R350m and R400m.

In the end what probably forced De [illegible] afford to be a perfect gentleman, says one merchant banker. But, obviously, Anglo had access to the best advice and where loopholes were found, they were used

The assumption that the shares picked up during the stronger but sporadic [illegible] in October [illegible] ably apprehensive of Anglo's presence. MD David Lloyd-Jacob's remarks in London probably sum up the reaction adequately He is on record as having said that he did not welcome the acquisition but that "we are prepared to live with it"

In terms of Anglo's asset base, the deal

(79) (232)

FM 15/2/80

CONS GOLD

End of a chapter

"From all we see, the mystery buyer is fully revealed:" thus Cons Gold MD David Lloyd-Jacob in London on Tuesday.

Presumably management is happy that the buyer has been revealed as De Beers but, whether it is happy that over 25% of the group's equity has been bought or is pledged to Anglo/De Beers, is another matter. The Anglo/De Beers group has, of course, announced that it does not intend to acquire further shares, nor that it is seeking to "change the control or the management of Consolidated Gold Fields in which it has great confidence." But things can change, and it will not be surprising if greater "collaboration" is seen between the groups' scattered interests in future.

David Lloyd-Jacob . . . learning to live with Anglo

No matter which way it is examined, Anglo/De Beers now effectively controls Cons Gold's 46%-owned subsidiary GFSA, meaning, among other things, that the sometimes acrimonious debate between the two in the Chamber of Mines could lessen. And, as many analysts see things, the interests of both Anglo and GFSA, particularly in the developing OFS goldfield will prove to be very close. Joint ventures between Anglo's overseas operations and those of Cons Gold are a distinct possibility, especially in the UK where Charter needs new outlets.

Not that such moves are necessarily bad, but there are many investors who fear that the growing polarisation of mining interests in SA still has some way to run

If the General Mining/Sanlam/Rembrandt camp was interested or had acquired a stake in Cons Gold, it is probably now effectively deterred. So, presumably, its growth will have to be targeted through by increased co-operation with associated companies in SA (see *Fox*). Unofficially, Anglo/De Beers took up its 25% to block other predators. So, now that the group can relax over GFSA Cons Gold, it has the time to rationalise in SA. Next in line, many observers believe, will be even closer links with JCI, if not a bid for outright control. Anglo's appointees are firmly in control of JCI's board and, over the past few months, Anglo has significantly increased its stake in JCI-managed Rustenburg. At least one thing is certain, Anglo will never again let JCI's management rush into developments such as Otjihase (and, to a lesser extent, Shangani), which ended disastrously with write-offs which effectively wiped out a whole year's earnings in 1977

Developments at JCI will be a pointer to the likely future of Cons Gold. I find it very hard to believe that Anglo/De Beers will remain satisfied with a simple equity stake The now-revealed 25% interest, which is to be split equally between Anglo and De Beers, is strategic in that it effectively blocks other predators. But, judging by the 615,5p that was paid for each of the 16,5m shares transferred on Tuesday, and the fact that the other 21,4m shares already bought or on which options were held were taken in at prices between 310p and 615p, De Beers appears to have paid anything up to £200m (R380m) for an investment which, in the year to June 30 1979, would have yielded dividends of £5m.

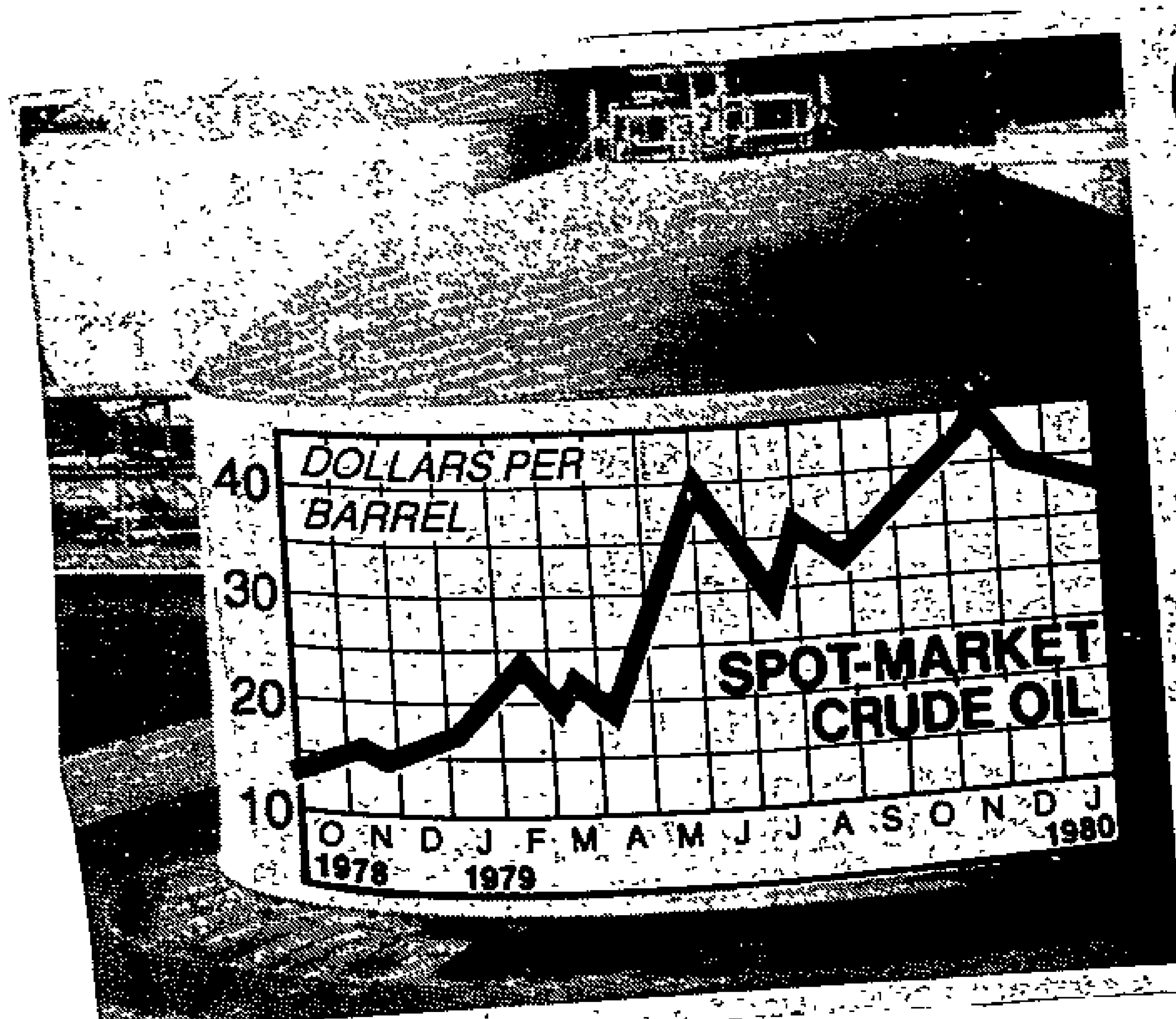
Even if Cons Gold doubles its payout this year, Anglo's eventual 12,5% stake is only worth 4,2c a share in dividend income, compared with likely earnings this year of well over 100c. For De Beers, it means additional earnings of 2,6c per share compared with 95c in the first half of 1979.

On this basis, it is probably safe to assume the Anglo group will be looking for other spin-offs in the fairly near future. Granted it may not be full control — at least not just yet — but the possibility of mergers between Cons Gold's UK interests and Charter, and its Australian and North American interests with Minorco cannot be ruled out.

In SA, the obvious areas for increased joint activity are base metal developments in the northern Cape and some form of rationalisation between GFSA's gold interests and Amgold.

The eventual developments remain to be seen but, with Cons Gold and, effectively, GFSA under its belt, the Anglo/De Beers juggernaut has gained added momentum And that may well prompt moves by competitors to increase as quickly as possible their own bases.

Jim Jones



Gold cushioned at $360?

17/2/80 (79)

S. Times Business

By JOHN SPIRA

IN THE long term, the gold price is under-pinned at a price of $630 — if one accepts that a definable relationship exists between oil and gold bullion.

This is the view of Dr Paul Nield, chief economist of the major London broking firm, Phillips & Drew.

According to Dr Nield (who addressed this week's Simpson, Frankel, Hern, Kruger investment conference), the oil price provides a better indication of the real value of gold than more conventional measures of the real gold price.

"It might indeed suggest that the gold price is under-pinned in the long term at about 22,5 barrels of oil, currently worth a little over $630," he says.

Dr Nield has compiled data which shows that the average gold price between 1950 and 1979 was equivalent to about 22,5 barrels per ounce.

In the 1950s the number of barrels that could be purchased was below the average. Since 1974, the ratio has tended to be below the long term-mean but recent gold price movements have brought the ratio much nearer the long term average.

Dr Nield stresses that in the shorter term, gold could well fall below or rise above the $630 mark indicated by the oil-gold ratio.

In the longer term, however, past experience suggests that the ratio will prove a fairly reliable indicator of gold's underlying trend.

Given this theory, it is interesting to examine Dr Nield's projection for the future course of oil prices.

He comments: "On the best estimates that we can make it appears that oil consumption will still be in excess of oil production in 1980. As a result we feel that for much of 1980 the oil market will remain fairly tight.

"We feel that with oil on average at about $28 a barrel, there may be little further effective price increases during the course of this year, although further announcements may be forthcoming in the short term.

"Nevertheless, it seems wise to work on an effective price increase of 10% as from January 1981."

Dr Nield's statistics highlight the crippling impact of the oil price increases on Western economies in the past and the continuous adverse affects which they will exert in the future.

SUNDAY TRIBUNE, FEBRUARY 17, 1980

No vendetta

JUDGE REJECTS GOLD COIN EXCHANGE'S INTERDICT AGAINST DEALER

(79)

Trib. 17/2/80

Tribune Reporter

AN URGENT attempt by the South African Gold Coin Exchange (Pty) Ltd to stop Cape Town coin dealer Richard Benson from "defaming" the company or uttering "injurious falsehoods" about it failed in the Supreme Court, Cape Town, this week.

In a written judgment handed down this week, Mr Justice de Kock refused with costs an application by the company for an interim interdict.

The Exchange claimed Mr Benson had engaged in a vendetta of seeking to discredit the Exchange in the eyes of the public.

The Exchange, the country's largest dealer in Proof Krugerrands, spends what the judge termed "considerable sums" in advertising its business and relies in large measure on a relationship of trust and confidence with the public.

Mr Justice de Kock said the Exchange had claimed that various letters written by Mr Benson to different publications had had the "clear meaning" that the Exchange was guilty of dishonest conduct "in that it is misleading the public and that the public should not deal with the applicant."

The judge quoted at length from one of these letters, which Mr Benson wrote to Investor's Guide (Pty) Ltd, and in which he referred to an article on Krugerrands which had appeared in the Guide.

The judge wrote: "The article in question had been written on behalf of applicant and that it was reprinted by applicant for advertising purposes."

He then quotes from Mr Benson's letter:

"The article claims that the 'proof' Krugerrand is 'worth many times its gold content.'

"I have ascertained that in Cape Town, from R225 to R250 is currently offered for such coins, which are readily obtainable at prices from R250 to R300.

"The article claims great rarity and high prices for 1968 Krugerrands produced with 'frosting' on both sides claiming 1 000 or less of these in existence.

"However, the SA Gold Coin Exchange in Johannesburg examined nearly 1 000 1968 coins and found some 34 percent to be so frosted.

"This percentage excluded many more coins made from the same dies, only with weaker frosting. As ten thousand coins were minted for collectors in 1968, it appears that between 3 400 and 6 000 (34 percent to 60 percent) may have been produced from the frosted dies.

Frosting

"This coin and other 'Proof' Krugerrand's are being sold to the public on the strength of the claims made in Investor's Guide. You will also note the claims of numismatic rarity made for the coin, yet the life president of the Transvaal Numismatic Society advises me that the Krugerrand and especially the merits of frosting, is of little numismatic interest.

"I have established that this is the view of other genuine numismatists.

It appears that your readers should immediately be advised of all the facts in a suitable manner to comply with the Press code and the advertising code, and that all possibly misleading material bearing your

ELI LEVINE
Chairman of the Exchange

name, should be withdrawn forthwith.

"I should appreciate your assurance that all the facts will be placed before your readers at the first opportunity to prevent all possible misunderstandings on their part when buying expensive coins recommended in your article and in the advertisements bearing your name, which have been widely distributed."

Judge de Kock says a fair reading of this letter does not impute that the Exchange has been guilty of dishonest conduct.

"It is clear that the writer (respondent) does not share the views expressed in the article as to the value of Krugerrand, and that he feels that certain facts which negatively affect the value of the coins have not been dealt with or mentioned in the article.

Misled

"But nowhere, in my view, is it suggested that anything has been dishonestly or improperly withheld from the public in the article or that the writer of the article has dishonestly or improperly misled the public.

"The letter conveys no more in my opinion than that the public or the potential buyers of Krugerrands should be informed of all the facts.

"Respondent makes it clear in the letter, I think, that he wants to give the other side of the story and that he regards the picture painted in the article as one-sided in that it leaves out of account certain relevant facts bearing upon the issue of the value of Krugerrands."

The judge said the trouble between Mr Benson and the Exchange had started in 1977 when the chairman of the Exchange, Mr Eli Levine, wrote an article which was published in a newspaper in which he referred to the value of Krugerrands in glowing terms.

"In response to that article, the respondent addressed a letter to the same newspaper in which he disputed the claims made by the applicant's chairman in regard to the value of Krugerrands and called on the newspaper to rectify the erroneous impression created by the article.

"Respondent concluded his letter as follows:

"In order that your readers and investors are not misled, therefore, I call on you to publish these details immediately and to reply to this letter."

The Exchange is applying to the court for a perpetual interdict restraining Mr Benson, but it is not yet known when it will be heard.

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Simonstown, Ceres, Paarl, Robertson

3 port), R.P. 38/1976 p.138.

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5 hours) plus firewood, fruit and

n back to town. The farmer

as many workers as he needed.

Gold profits may stem price rise on bread

Star 2/2/80

79

The price of bread seems set to go up in March, unless the Government uses the gold bonanza to subsidise it further.

The current subsidy on bread is R115-million. To keep bread prices down at their current levels, industry sources claim, the subsidy would have to be raised to at least R200-million a year.

High wheat price escalations — pushed up by rapidly increasing fertiliser costs — are the prime factors in the erosion of the subsidy.

Since 1976, the wheat price has gone up almost 80 percent. In that year the Government fixed the price of brown and wholewheat bread at 16c a 900 g loaf.

Heavy subsidising by the Government has kept the price at that level ever since. The subsidy on brown bread is 14,8c a loaf and on wholewheat bread 14,7c a loaf.

A spokesman for a leading Johannesburg bakery said he could not envisage the Government raising the price of white bread, but he thought the gap would be narrowed between the price of white and brown bread.

White bread currently sells at 26c a loaf, including general sales tax, only 8,2c of that price is subsidised.

The consumption ratio of white and brown bread swung when brown bread was fixed at a lower price level. Sixty percent of bread sales are now for brown bread.

However, Wheat Board and Bakery spokesmen emphasised that there had been no discussions about a bread price rise.

"Any allegations about price rises are thumb sucking at this stage," Mr D. van Aarde, General Manager of the Wheat Board said.

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Hansard 3 Questions 170/171

22/2/80

79

Sale of gold

3(170) 22/2/80

243. Mr. H. H. SCHWARZ asked the Minister of Finance:

(79)

(1) Whether any agreements were concluded by the (a) Treasury and (b) Reserve Bank for the sale of gold subject to the right of re-purchase; if so,

(2) (a) what amount of gold was sold subject to such agreements, (b) what period was allowed for re-purchase and (c) what were the other terms of the agreements;

(3) whether any of the gold sold under these agreements has been re-purchased; if so, (a) what amounts, (b) what was the date of (i) sale and (ii) re-purchase of each amount and (c) what was the price paid on (i) sale and (ii) re-purchase of each amount?

The MINISTER OF FINANCE:

(1) (a) No.

(b) Yes.

(2) and (3) In view of the highly confidential nature of these transactions, the

Reserve Bank cannot disclose the details.

RAND DAILY MAIL, Saturday, February 23, 1980

Relapse for gold

RDM 23/2/80

79

LONDON. — Gold ended a see-saw week yesterday with a relapse from Thursday's rally. It was fixed at $630 in the afternoon in London and at $643,50 in the morning. Thursday's second fixing was $665.

Gold closed at $629/$633.

Trading was quiet and dealers attributed the easier tone to the firmness of the dollar in the absence of any bull factors.

The market is too thin for any decision on whether an easier trend is about to be established, say dealers.

Gold dropped $2,20 in Hong Kong to $647,47.

In London, the dollar extended its gains in quiet trading. Sterling slipped half a cent from its opening.

The dollar continued to be boosted by expectations of higher interest rates — they were announced yesterday afternoon — in the wake of predictions of 16% to 17% prime rates within the next few weeks by Salomon Brothers' economist, Mr Henry Kaufman.

The dollar rose to 1,7545/55 marks and 1,6510/20 Swiss francs

The dollar edged up against the yen in Tokyo, closing at 246,375 yen, slightly higher than Thursday's closing 246 yen.

GOLD POISED ON KNIFE EDGE

79

The Star 24/2/80

By TONY HUDSON

Up, down or sideways is the question asked most often by goldwatchers and the one that cannot be answered.

Chartist and gold expert Tony Henfrey says the price is poised on a knife edge at present and that it could go as high as 1 200 dollars in the next eight to 10 weeks or it could start on the long slippery slide down to 250 dollars.

However, he feels that if the price stays above 645 dollars during the next few days, it could well move up again. And if it passes 710 dollars an ounce, then it has the capacity to reach 1200.

If it drops, the downside potential of the price is 250 dollars, he says.

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If it drops, the downside potential of the price is 250 dollars, he says.

Hansard 4 (-1353) 26.2.80

79

*GOLD

Mr. Speaker, a few minutes ago I referred to the changed circumstances in South Africa, brought about particularly since June last year when the gold price began to rise so rapidly. Less than 10 years ago we still heard the expression "the dollar is as good as gold" from many mouths. At the same time a campaign was launched to "demonetise" gold and to "phase it out of the monetary system". In its place new paper money, the so-called Special Drawing Rights (SDRs), had to be phased in, which would consequently serve as "numeraire" and as principal reserve unit.

The next step in getting rid of gold was to amend the Articles of Agreement of the International Monetary Fund to abolish the official price of gold and to diminish its legal status in the international monetary system. In addition the Fund and later the American Treasury began to hold large and regular gold auctions.

All these efforts have very clearly failed. Gold has won the fight against paper money. It has fared better than even the strongest currencies. Let us consider recent events for a moment, which undoubtedly remonetize rather than demonetize this metal:

—gold was used as security for large balance of payment loans raised by Portugal and Italy;
—gold was used for gold exchange transactions by South Africa;
—gold auctions were held by the USA "to help finance the deficit on current account of the balance of payments" and "to support the dollar";
—gold was revalued to market-related levels by several important central banks;
—gold comprises an ever-increasing part of total world reserves, at present approximately two-thirds;
—gold was allowed a central role in the pool of reserves underlying the European Monetary System;
—both the Fund and the USA are now having second thoughts on whether they should continue to sell this valuable asset indiscriminately;
—methods are at present being sought by the Fund to use its remaining gold to make the proposed new SDR Substitute Account financially more attractive by allowing it to serve as cover against possible deficits in the account; and
—the managing director of the Fund himself recently proposed in France that countries with large cash reserves ought to be allowed to convert a portion thereof into an internationally (IMF) controlled monetary unit, which is strongly supported by gold.

What better examples of a yearning for and inevitable return to the remonetizing of gold could one wish for? Hence my proposal in my address to the annual meeting of the IMF in Belgrade, Yugoslavia, during October last year that the time had now come to give urgent attention to the restoration and international recognition of the monetary role of gold. We shall definitely continue our efforts along these lines.

HALF-OUNCE GOLD COIN

While I am on the subject of gold I should just like to add that the Chamber of Mines has made representations to me on the marketing of a new and smaller gold coin. The Chamber has for some considerable time now being engaged in the test marketing of R2 gold coins in the USA and Japan. There is an ever-increasing demand for R1 and R2 gold coins from Europe, America and the Far East, and if we do not meet that demand soon the lions' share we have had of the gold coin market may rapidly dwindle away. Consequently I have agreed that the Chamber should actively proceed to market R1 and particularly R2 gold coins through their existing channels abroad as soon as possible.

The success of the Kruger rand itself is based on the fact that it contains precisely one ounce of gold and that the price of gold per ounce is published daily in virtually all important newspapers throughout the entire world. This gives the investor an approximate value of his investment from day to day. In the meantime, however, the gold price has risen to such an extent that a large part of the market has gone untapped because the price of one Kruger rand has become too high for many with more limited means. The Chamber of Mines has requested me, as a first step, to approve of Intergold—which is its marketing organization—being allowed to market a smaller coin, one which will contain pricely one half-ounce of gold and which could therefore, as far as gold content is concerned, be sold at half the price of a Kruger rand.

I think this is a sound market development and I therefore comply willingly with this request. Owing to amendments which will have to be made to the Mint Act, as well as to the time required to design and mint a new coin, it will only be possible to make this coin available towards the end of the year. South African investors will be able, as in the case of Kruger rands, to invest in this coin as well.

While I am referring to the marketing of gold coins, I should like to broach another matter as well. In an attempt to cause the distribution of Kruger rands within South Africa to take place as fairly as possible, the services of banking institutions have up to now been used. The banks distributed the limited number of coins which they received among their clients and other applicants, but from time to time there was dissatisfaction for it was claimed that these allocations were not always fairly made, particularly in times when there was a heavy demand for such coins. Recently the demand tapered off and coins were being offered to the banks for repurchase. Some banks were not prepared to repurchase the coins at reasonable prices, even though the Kruger rand is legal tender. Consequently the Reserve Bank had to reaffirm that it was still prepared to repurchase these coins from sellers at the average price of the last two London fixings, less a handling fee of US $1,05 per unit. At present more satisfactory methods of marketing the Kruger rand, and at a later stage the half-ounce gold coin, internally are being investigated, and I hope to be able to furnish this House with further information in this regard soon.

A mini Kruger Rand for mini investor

79

RDM 26/2/80

Political Staff

THE ASSEMBLY. — South Africa is to market a mini Kruger Rand because the rising gold price has put the coins beyond the reach of many investors.

The Minister of Finance, Senator Owen Horwood, told Parliament yesterday that a new coin, containing half an ounce of gold, would be available towards the end of the year. The Kruger Rand contains a full ounce of gold.

Senator Horwood also announced he had given permission for the marketing of gold R1 and R2 coins to cater for the increasing demand in Europe, America and the Far East.

"If we do not meet that demand rapidly, we will lose the lion's share we have had in the gold coin market," he said during the second reading debate on the Part Appropriation Bill.

The success of the Kruger Rand was its content of exactly one ounce of gold, and that the price of gold was published daily in all major newspapers.

"In the meantime the gold price has risen to such an extent that a large part of the market has gone untapped because the price of a Kruger Rand has become too high for many with more limited means."

He had agreed to a Chamber of Mines request to allow the marketing of a coin containing half an ounce of gold which would sell at about half the price of a Kruger Rand.

Senator Horwood also stressed that Kruger Rands were legal tender and could be sold back to the Reserve Bank. The Reserve Bank would do so at the average price of the last two London fixings less a handling fee of 1,05 US dollars.

● See Page 12

are reasonably accurate.

Horwood told: Use gold bonanza to avert war

Political Staff

THE ASSEMBLY — Opposition speakers yesterday called on the Minister of Finance, Senator Horwood, to use the gold bonanza to implement urgent socio-economic reforms which were essential if violence and revolution were to be averted.

Speaking during the second reading debate on the Part Appropriation Bill, Mr Horace van Rensburg (PFP, Bryanston) called on Senator Horwood to use the resources at his disposal to improve race relations, remove frustration and conflict and create a real spirit of common South Africanism.

"The Minister has the opportunity to make a major contribution to averting war in South Africa," Mr van Rensburg said.

He said he was speaking on behalf of the vast majority of South Africans of all races who were deeply concerned about the gathering clouds of war on the country's northern borders.

Mr van Rensburg said there were many deserving causes on which the Minister of Finance could spend his money. "But nowhere is there a cause more important than in removing discrimination and providing a better quality of life for all South Africans," he said.

Even more important than the total removal of apartheid was the need to create real equality of opportunity for all the country's peoples.

INJUSTICE

One of the most important areas that needed attention was in education where there were still vast gaps in State spending on children of different race groups.

The money was available to make a major impact on closing the gap in education which represented not only gross discrimination but also a major injustice in the society.

Mr Ron Miller (NRP, Durban North) called on the Government to initiate fiscal and tax benefits that would encourage industry to train employees across the board.

The Government had up to now adopted a passive and reactive approach to fiscal and political matters.

What was needed was an active participation that would lead the private sector in the right direction, he said.

"Concessions and tariff reductions are passive measures and are inadequate," Mr Miller said.

He also called on the Government to give some recognition to the 400 000 people in South Africa who were prepared to invest one third of their income in real estate.

He suggested that the Government should make the interest paid on mortgage bonds tax-deductible.

"The effect on the building industry would be tremendous," he said.

Mr Theo Aronson (SAP, Walmer) said Senator Horwood had the opportunity of laying solid foundations to ensure that South Africa could emerge into the "golden years of the 1980s."

"More money and concessions must flow from the central Government to the consumer and private enterprise to ensure sufficient growth to alleviate our unemployment problem," he said.

An important priority also was to grant exporters bigger and better concessions.

Border areas — Nats accused

Political Staff

THE ASSEMBLY — Opposition speakers in the Assembly yesterday accused the Government of failing to stop the depopulation of strategically vulnerable farming areas on South Africa's borders.

It was suggested that more national servicemen be placed there to protect the borders and to get to know the areas.

The Assembly was told of hundreds of farm-houses standing empty in some Transvaal farming areas in spite of Government incentives to get more farmers to stay on border farms.

Speaking in the second reading debate on the Part Appropriation Bill, Mr P A Myburg (PFP, Wynberg) said the Prime Minister had warned more than a year ago about the danger of allowing border areas to become depopulated.

Mr Philip Myburg

From a military strategic viewpoint, no county could afford to have its border areas unpopulated and unprotected.

In an attempt to correct the situation and to prevent further depopulation, legislation had been passed last year to enable new farmers to obtain land in border areas. Arrangements were also made for established farmers to be supported financially.

Mr Myburgh said all this seemed to have had little effect. Meetings had been held in those areas and, according to reports, there was much dissatisfaction.

The impression had been created that those responsible for carrying out the measures had failed.

Mr W M Sutton (NRP, Mooi River) said everything was going wrong in the strategically important border areas.

The farmers there were very important to the country's defence.

Mr Sutton appealed to the Government to place more national servicemen in border areas to stiffen resistance to possible attacks and to get to know local conditions.

The Mau Mau had been defeated in Kenya only because those fighting them knew the conditions in the forests.

In future, it would be a tough pioneering job to live in South Africa's border areas.

POST TRANSVAAL

Telephone 27 6081

Gold rush, rent hike

THE announcement by the authorities that they intend raising rentals in Pretoria townships comes at a very inopportune time when so many of our people are suffering under the spiralling cost of living.

And to add to their plight, the authorities have made it quite clear that unless the increased rent is forthcoming, then vital community services will be cut off.

This situation once again puts the spotlight on the whole central issue of means of financing black areas.

The administration boards, which are a creation of the Government, find themselves in the ridiculous position where their only sources of income are rentals and the selling of booze. From these sources they are expected to finance all types of projects while giving residents essential services.

This, more than anything else, has caused so much resentment and has made a mockery of the Government's announced intentions of granting autonomy to black townships. Until the question of finance is settled, then the entire concept of autonomous community councils remains nothing but a monumental joke.

For one thing, we had no choice in staying in these black townships. We were coerced by the system of apartheid. So why should we dig deeper into our empty pockets to finance that system?

The Government are going to have to put their money where their mouths are. And the recent gold windfall gives them a glittering opportunity to do just that.

Dangers in gold

79

RDM 6/3/80.

Financial Reporter

A WARNING that the gold price boom could actually prove harmful to South Africa if it produced the wrong policies and attitudes was sounded yesterday by Professor Jan Hupkes of the School of Business Leadership of Unisa.

He was speaking at the Buy South Africa conference in Johannesburg.

Professor Hupkes said: "The current high gold price undoubtedly has a beneficial influence on the South African economy, but one should not be unaware of the dangers inherent in the situation.

"The main hazard is that it can corrupt the structure of the South African economy.

"If one holds the view that the gold price is going to move on to a permanently higher level, South Africa has suddenly become a newly rich country, at least in terms of the availability of foreign exchange.

"At $250 an ounce our net gold output was R4 747-million, or R190 per capita; at $500 it will be approximately R9 500-million, or R380 per capita.

"The discipline of the balance of payments will have disappeared, at least for a while.

"How are we going to handle and manage the gold bonanza? One thing is sure. If we spend it injudiciously, we will not only have riproaring inflation but will undermine the current account of the balance of payments.

"Let the experience of Opec be a lesson. In 1973-74 oil prices were quadrupled and Opec's combined curent account turned from a deficit into a surplus of $27 000-million.

"Only four years later they were back in the red to the tune of $9 000-million.

"If we convert the gold bonanza into golden beds, baths and toilets the results will be a merry honeymoon, but a colossal hangover.

"If ever there was a need firstly for a policy of growth with financial discpline it is now. It is, therefore, a source of great encouragement and admiration to hear that this is exactly the kind of policy the authorities intend following.

"The Buy South African programme should receive a very high priority in this educational programme."

STAR 6/3/80 (79)

Gold auctioned at $641,23

WASHINGTON — Gold auctioned by the International Monetary Fund sold yesterday for an average of 641,23 dollars a troy ounce, down from last month's record 712,12 dollars, the IMF announces.

Successful bids ranged from 631,16 to 649,07 dollars, the agency said. Successful bids in February had ranged from 711,99 to 718,01 dollars.

The IMF sold 444 000 ounces of gold in its latest sale, raising a net of 265m dollars for the benefit of developing countries.

That brought the total raised in the monthly sales to 4 200m dollars, the IMF said.

Bids were received for 1 412 000 ounces. — Sapa-AP.

London gold price steadies

STAR 7/2/80

77

By John Cavill
Financial Correspondent

LONDON — Short covering and physical demand steadied the gold price when the London bullion market opened this morning.

The price opened at 617 dollars an ounce against 606.25 dollars for the March Comex price in New York overnight.

News that the American embassy hostages in Teheran had been handed over to the Revolutionary Council by the Iranian students combined with a strong dollar sent precious metals into a stall dive yesterday.

Gold slumped 20 dollars to 625 dollars an ounce — after being fixed at 626 dollars in the afternoon — while platinum dropped 57 dollars to 990 dollars. Silver was knocked by 1.80 dollars to 34.60 dollars.

Some commodity brokers here believe the "ramped up" price of platinum during the past week owed much to efforts by American speculators who were invested in gold and silver to sustain prices of these metals.

KRs lose some of their shine

STAR 7/3/80

79

By Stephen Suckley

The Krugerrand, which has taken the coin investment market by storm in recent times, has had some of the shine knocked off it.

Sales of the coin fell sharply in February this year from 287 641 coins in January to a nominal 6 251 coins.

The main reason for the fall which is the lowest monthly total since July 1973 is that investors have been selling back to the market and realising profits due to the erratic state of the gold market.

And now that the cost of one Krugerrand has gone beyond the realms of many potential buyers the introduction of the "Half Kruger" has become urgent.

"The launch of a half ounce version of the Krugerrand will go a long way to improving the competitive position of the Krugerrand internationally and to enabling international sales agents to go back to the market place in an aggressive way," a spokesman for the Gold Coin Exchange said.

Economics — traditionalists against the moderns

Reports by SIMON WILLSON, Financial Reporter

THEY just don't make currencies like they used to. There is a substantial and growing school of economic thought which maintains that all the world's money problems began when the major currencies severed their links with gold.

It is difficult for many modern economic theorists to conceive the role which these monetary traditionalists think still exists for gold.

The traditionalists appear to the modern theorists to be trying to resurrect the reserve asset which underpinned defunct civilisations in the centuries from the Ancient Egyptians to the Conquistadors.

Can the same reserve asset — gold — also form the base of the world monetary system in the 20th and 21st centuries? The traditionalists think so.

Their reasoning is sound enough. The most stable and consistently prosperous period of economic growth in the industrial West was from about 1870 to 1914.

The world's key currency at the time was the pound sterling, and the pound was directly convertible into gold for the whole of that period. In other words, the British money supply was controlled by the country's gold reserves, and expanded and contracted at the same rate as the bullion in the Bank of England's vaults.

The amount of bullion in the reserves was directly related to the balance of payments, and the exchange rate was fixed in terms of gold. The economy of the western world was based on the gold standard.

The gold standard was suspended in 1914 at the start of the First World War, and when the distortions of wartime production had evened out, sterling and other major European currencies returned to the gold standard in 1925.

But several currencies returned to gold convertibility at pre-war parities, and were unable to maintain their fixed exchange rates as bullion flowed out of central bank reserves to the reserves of other countries whose parities were undervalued.

This misalignment was partly contributory to the 1929 Wall Street crash and the depression in the 1930s. Sterling left the gold standard in 1931, and has never been back.

The only comparable period of economic prosperity was the 1945-70 boom dominated by the United States dollar. The dollar, alone of major Western currencies, was convertible into gold during that period, though a formal gold standard did not exist because other currencies were not.

In 1971 the US suspended the dollar's gold convertibility and that, as far as the monetary traditionalists are concerned, was the end of civilised trade economics as we know it.

They cite in support of their argument the almost unrelieved period of economic decline since the last link between world trade and gold was broken.

Their call now is for the world to return to the gold standard, and the monetary discipline that went with it.

More countries are joining the 'coin rush'

GOLD is back in favour, despite the attempts to demonetise it, and governments are still storing national wealth in the form of gold ingots in the vaults of their reserve banks.

There may be, as yet, no formal gold standard, but Fort Knox's legendary stock of gold bars is no longer the anachronism it once seemed certain to become as SDRs took over.

Fine for the governments, who can put their wealth away in ingots and wait for them to appreciate. But what about the individual? He is sure to want to follow the example of his government and invest in the most value-retentive reserve asset available.

Inflation in the industrial West has eroded the value of domestic money and of most other national assets.

A bar of gold is fine as a store of value for governments, but has far too high a unit price to be of any use to less wealthy individuals. In many countries, private citizens are legally barred from holding unwrought — that is, unminted and unalloyed — gold.

The small investor looks for a form of gold that is legally wrought and portable, and coins have evolved as the most popular form of private gold investment.

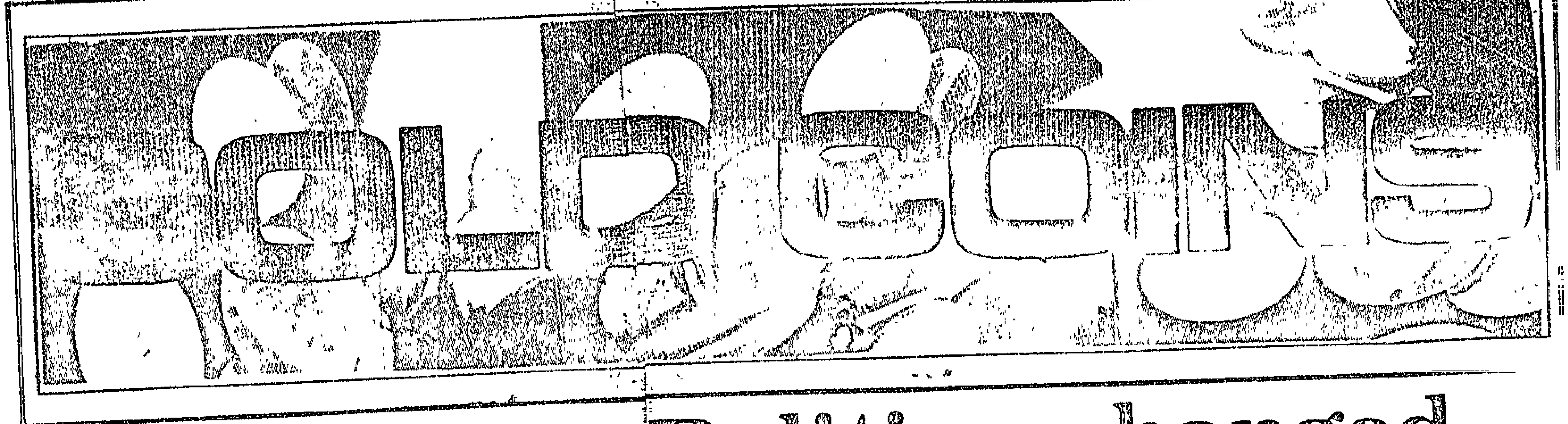
Gold coins were common legal tender in the gold standard years of the late 19th century, when gold sovereigns and gold US dollars in circulation reflected the state of the British and American economies because the currencies of these two countries were directly gold-convertible.

But the advent of interwar Keynesian economic policies, and the large-scale deficit financing these policies required, made paper currencies more popular with governments which needed to inflate or contract their money supplies artificially — an impossible manoeuvre in the financial discipline caused by a gold based currency.

Gold coin countries continued to mint their coins even though they were no longer usable domestically as coins of the realm. The coins were simply exported as a store of value.

The world-wide demand for gold coins has sparked an international effort by many countries to market their own gold coins and cash in on the latter-day gold rush.

In 1972, only six countries issued gold coins. Now nearly 50 countries do, and several more are on the point of joining in.



Politics changed value of the yellow metal

(79)

RDM 26/2/80

WORLD currencies may not be based formally on gold any longer, but the unofficial importance of the metal in world trade is barely diminished from the heady days of the international gold standard

The International Monetary Fund (IMF) launched its own reserve asset, the dollar-denominated Special Drawing Right (SDR), as a substitute for the gold ingots which had regulated trade in earlier years.

The IMF, hand-in-hand with the United States Treasury, wanted to eliminate the distortions which unofficial gold — which had both an official price and a free market price before 1971 — made on international payments

SDRs, auctions of gold stocks by the IMF and the US Treasury, and elaborately arranged "dirty" floats by European currencies were all intended to reduce gold's influence.

But as it was pushed off the world monetary stage in the early 1970s, gold took on political importance. It became a barometer of world political events.

All the artificial alternatives stood investors and hoarders in good stead until investing and hoarding needed confidence in the established order As soon as world politics created uncertainty, and investor confidence suffered, gold was in demand again

Things looked good in the world commodities boom of 1970—72, but the 1973 Middle East War, the 1974 oil embargo and price quadrupling, and the West's 1975—77 recession in the West drove world wealth away from the paper currencies and their deficit-ridden economic bases, and back to gold.

Formal admission of gold's re-emergemce as a world reserve asset came last year when it was made an integral part of the new European Monetary System (EMS), which incorporates member states holding, in gold, a percentage of the reserves pooled under the EMS

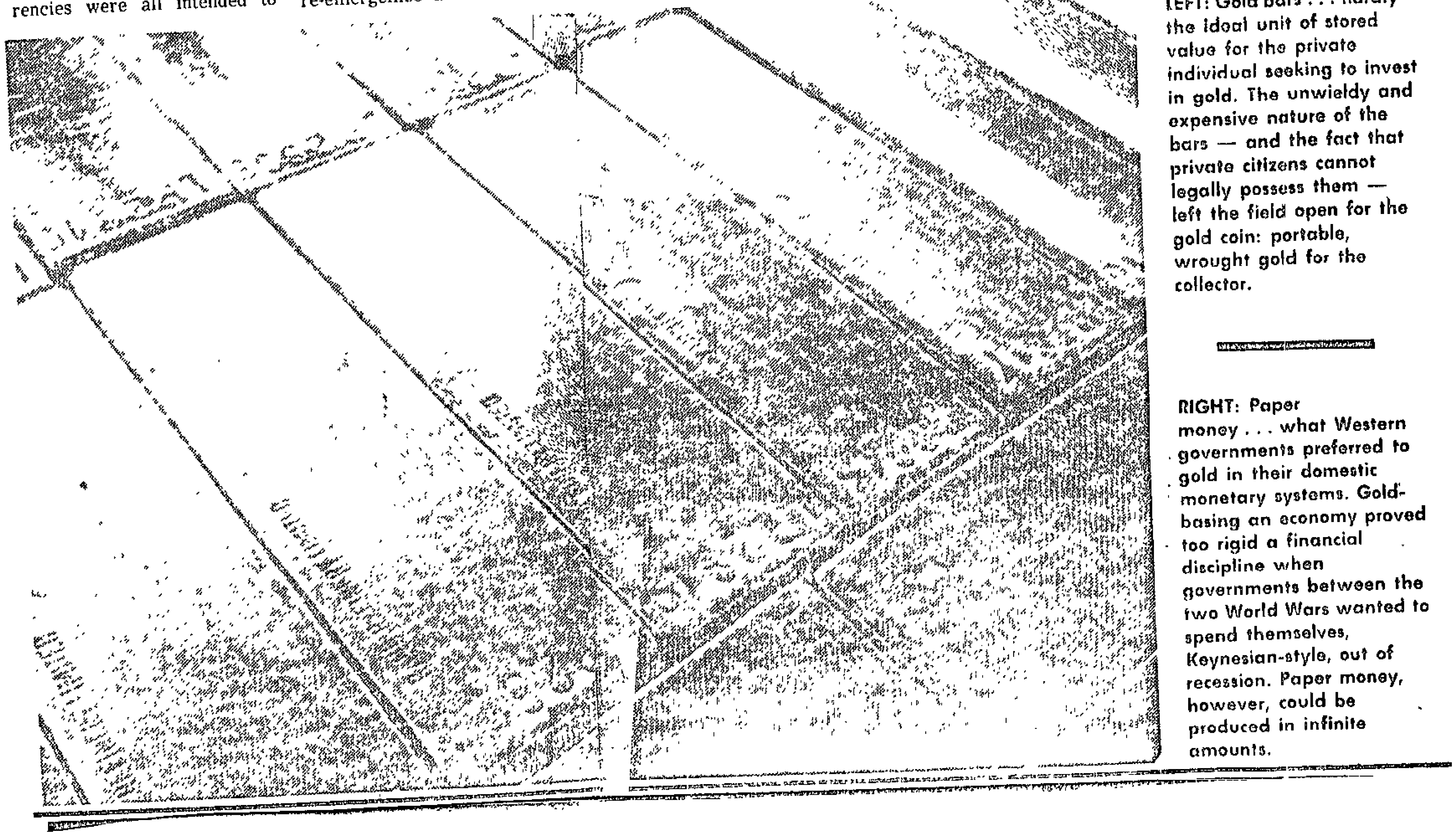
Last year's revolution in Iran, Russian intervention in Afghanistan, and the ill-health of Yugoslavia's President Tito, created more international uncertainty and quickened the stampede back to gold by world investors at individual, corporate and national levels

The member states of the Organisation of Petroleum Exporting Countries (Opec) who, ironically, started the flight from normal reserve asset holdings with their oil cartel in 1973, have been principally instrumental in the return of gold as a reserve asset

The disdain of Opec members for the West's paper currencies was such that many of them ceased to accept dollar-denominated oil payments, and insisted instead on payments based on a "basket" average of world currencies to avoid the dollar's loss of value

This influenced other primary exporters to be suspicious of artificial reserve assets, and to look towards gold instead.

Gold was back in a big way, and the free market price reached a peak of $875 an ounce this year, and is expected to break the $1 000-mark before 1980 is out.



LEFT: Gold bars . . . hardly the ideal unit of stored value for the private individual seeking to invest in gold. The unwieldy and expensive nature of the bars — and the fact that private citizens cannot legally possess them — left the field open for the gold coin: portable, wrought gold for the collector.

RIGHT: Paper money . . . what Western governments preferred to gold in their domestic monetary systems. Gold-basing an economy proved too rigid a financial discipline when governments between the two World Wars wanted to spend themselves, Keynesian-style, out of recession. Paper money, however, could be produced in infinite amounts.

Gearing the key to a golden bonanza

RANK	MINE	MINING COSTS $/OZ	% INCREASE IN DISTRIBUTABLE EARNINGS**
1	Blyvooruitzicht	160,55	20,7
2	West Driefontein	75,01	21,8
3	Hartebeestfontein	160,80	22,3
4	East Driefontein	71,65	22,6
5	Stilfontein	214,40	23,7*
6	Winkelhaak	112,65	24,3
7	Kloof	98,80	24,3
8	St Helena	131,25	25,2
9	Western Holdings	125,30	25,5
10	Western Deep Levels	103,80	25,7
11	Vaal Reefs	177,60	26,2
12	Kinross	158,15	27,0
13	President Brand	134,30	28,3
14	Bracken	203,40	28,4
15	President Steyn	184,00	29,0
16	E T Consolidated	157,50	29,2*
17	Southvaal	153,25	29,4
18	Grootvlei	212,80	29,7
19	Free State Geduld	126,15	30,5
20	Western Areas	242,40	31,4
21	Harmony	263,90	32,4
22	Doornfontein	179,30	32,5
23	Buffelsfontein	212,45	32,8
24	Unisel	112,75	32,9
25	Leslie	270,85	33,1*
26	Libanon	180,65	33,9
27	Welkom	239,15	34,0
28	Venterspost	278,70	35,7
29	Randfontein	229,80	36,3
30	Elandsrand	135,05	36,4
31	West Rand Consolidated	N/C	40,7*
32	ERPM	323,70	42,6*
33	Durban Rood. Deep	340,70	45,2*
34	Wit. Nigel	346,50	54,7*
35	Loraine	395,50	58,6*
36	FS Saaiplaas	359,70	74,4

NOTE: *Denotes State aid classified mines, where special tax formula has been applied.

(Business)
S. Times
17/2/80
79

HUGE differences in the dividend potential of South Africa's gold mines have been generated by the rise in the gold price through $500 to its present levels near $700.

By ANDREW McNULTY

This is revealed in a comprehensive new study by a leading firm of Johannesburg stockbrokers.

The possible dividend bonanza for shareholders varies by as much as 150% — from some 100% more for Loraine down to about 40% more for Blyvoors.

For F S Saaiplaas, an exceptional case, the potential dividend increase is 140%-plus.

Investors considering buying into golds should remember the powerful gearing effect that a high gold price has on gold mine earnings, resulting for many mines in a disproportionately high yield potential — and a similarly high risk potential.

The study shows that a 20% move in the gold price from $500 to $600 means that distributable earnings of gold mines would rise by as little as 20,7% to as much as 74%.

A further $100 rise would result in additional, even higher proportional rises in distributable earnings.

This effect on relative share yields emerges from the gearing of distributable earnings of gold mines to the gold price and their working costs.

At current gold prices, all mines are subject to some degree of gearing.

But the extent of its impact varies greatly from mine to mine, generally becoming strongest among the so-called high cost marginal producers.

For example, Loraine, which has held the unenviable position of being the highest cost gold mine in the industry, increases its distributable earnings potential by some 58,6% as the gold price rises through $500 to $600.

But other factors such as capital expenditure, uranium revenue and loan finance also play a part in the gearing.

Thus F S Saaiplaas, which is involved in a heavy capital expenditure programme as well as loan repayments, is the share which currently has the highest gearing of all gold mines with an estimated 74,4% increase in distributable earnings arising from a rise in the gold price from $500 to $600.

The table on this page shows clearly the wide differences in gearing, and also that mining costs — while a major factor — are not in concert with the gearing ranking.

The following factors influence gearing:

- The higher the mining costs (expressed here in $/oz), the greater the gearing and conversely, the lower the costs the lower the gearing.
- The greater the relative capital expenditure, the greater the gearing.
- The greater the loan finance, the lower the gearing.
- The greater the loan repayments, the greater the gearing.
- The greater the uranium revenue (relative to the gold mining revenue), the lower the gearing.
- The various tax and lease formulae applicable to individual mines also influence the gearing.

When these factors are considered in the current situation for each mine the table becomes still more meaningful.

Gearing and risk should effectively be in balance but it should be borne in mind that some mines will show a better gearing relative to their risk.

The degree of risk which an investor can bear will vary according to individual considerations.

But it is important never to forget that while highly geared shares will benefit most rapidly from rises in the gold price, the opposite will result from a fall in the gold price.

It is worth bearing in mind also that in many cases the factors affecting costs are dynamic and may be changing for the better or worse at any given time.

This has an impact on yield forecasts. Because of rising costs, the gold price would have to rise at a compound rate of between 10% and 15% a year to maintain the earnings figures currently being projected by analysts.

...Fattis & Monis zingathengwa uku..,

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merely into speculative paper — like share scrip.

"If the gold price stays strong and we don't act, there will be a huge flow of money back into the private sector in the second quarter of this year and renewed encouragement for interest rates to fall," says the manager. "We cannot allow that.

"When you add it all up, you can be sure it means we are going to have a very interesting Budget indeed next month."

What will happen to the rand

● From Page 1

— ~~an exciting~~ possibility we haven't had for years."

He says this means action on exchange controls and a further boost for local demand to increase the domestic demand for money and thus pull up interest rates.

This will reduce inflationary liquidity. It will step up domestic growth, which remains priority number one. And it will tend to attract more money to ...

GOLD SKY-HIGH

RDM 17/1/80

79

By HOWARD PREECE, Financial Editor

GOLD soared by $81 to $765 in London yesterday morning — the largest daily move in history.

It eased fractionally to $760 in the afternoon, but the $76 gain on the day was over twice the $35 an ounce price that gold was fixed at from 1934-68.

The world political crises — most immediately in Afghanistan and Iran — the oil threat that hangs over the international economy and vast Arab buying power are the reasons. Among the consequences are:

● Shares on the Johannesburg Stock Exchange have risen in value by about R13 000-million since the end of September last year to over R42 000-million today. The rise since the beginning of 1979 is around R26 000-million.

● **Gold** revenue for South Africa is now running at similar levels to oil receipts for the lesser Opec members. An average gold price of $560 this year — $200 below yesterday's record — would earn this country R10 000-million.

But Saudi Arabia will probably scoop in R60 000-million this year from oil and politically important Nigeria is set for about R15 000-million.

Also, oil is not going to get cheaper. Gold could fall heavily.

● **Big** expansions by the mining companies look certain even if gold tumbles from present levels.

Mining houses JCI and General Mining have announced this week that they are now valuing gold reserves at $375-$380 an ounce.

A year ago the figure was around $200.

This implicity means dramatic changes in the financial calculations for gold mining developments.

JCI disclosed this week that it has a R150/R200-million development plan for its Randfontein mine.

Union Corporation has previously said it is considering launching a new gold mine near Beatrix in the Free State and Anglo American is understood to be considering one at Erfdeel, also in the Free State.

Both projects must be certain if gold stays anywhere near its present price.

● **New Ergo-style developments** — recovering gold from old slimes dumps — are likely.

● **Wages** of white and black miners will be reviewed in mid-year and there will be strong pressures for large percentage increases for both groups.

● **Platinum** is racing up in sympathy with gold. The free price was a record $900 yesterday morning before easing to $870.

The $420 producer price is the more important but even at that level South Africa could receive R600-million from platinum exports this year.

And the producer price could rise.

● **Stockbrokers** are revelling in the boom conditions.

Turnover last week was a record R102-million and is certain to be smashed this week with more than R90-million business done in the first three days.

The JSE is going to close an hour early for the time being — at 3pm instead of 4pm — because it cannot cope with the volume of orders.

● **Estimates** of the paper wealth of Mr Harry Oppen[illegible]

figure.

It is known, however, that the Oppenheimer family holding in Anglo American alone is today worth about R260-million against around R140-million six months ago.

● **The financial rand** — the investment currency that partly mirrors overseas confidence in South Africa — closed within 13% of the ordinary rand yesterday, the narrowest the gap has been in four years.

The gap has been over 40%.

● **A note of caution.** Economists, mining industry analysts and stockbrokers all warn that when gold has gone up so spectacularly there must obviously be a clear danger that it could fall a long way.

Fortunately for South Africa a price little more than half yesterday's level — say $400 — would still be exceptionally good.

And gold shares would still offer handsome dividends at that price.

But those who have not yet ventured into the gold market should be very careful indeed at this stage.

In Cape Town, the Minister of Finance, Senator Owen Horwood, said the higher price had extremely favourable implications for South Africa "provided that financial discipline is maintained and Government spending kept under tight control", reports Sapa.

He added: "For the world as a whole, the recent behaviour of the gold price must be viewed as a symptom of a deep-seated malaise."

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'Gold to hit $850 if supply runs short'

STAR 10/3/80 79

HONG KONG — The world faces a 500 ton shortfall in gold supplies this year which will take the metal above 850 dollars an ounce, Dresdner Bank AG managing director, Mr Hans-Joachim Schreiber told a Press conference here.

He said the estimated shortfall was based on a suspension of US Treasury auctions, an end to Soviet sales and to IMF sales after the last auction in May and including a 10 percent fall in demand.

Mr Schreiber said that in 1979 only increased US Treasury sales kept the marketing, equilibrium by offsetting reduced Soviet offerings.

He said the shortfall could rise to 850 tons if South Africa reduced its sales to half last year's 700 ton level, noting the country's sharply improved external foreign balance of payments and currency reserve position in 1979.

He said at current prices South Africa would have to sell only 33 percent of its 1980 production to accrue the same amount of foreign exchange as in 1978.

DEMAND

Mr Schreiber said the shortfall would rise to 1 250 tons if Opec countries invested just 10 percent of their estimated 100 000m US dollar 1980 balance of payments in gold while investing 10 percent of their 300 000m dollar total revenue would create an additional demand of 1 200 tons.

Beyond these estimates Mr Schreiber noted investor demand had risen an average 10 percent annually over the last five years and was likely to rise again this year fuelled by political uncertainties and double-digit inflation.

He said industrial demand was unlikely to fall this year and might even rise in view of increased US armament spending.

Mr Schreiber pointed to US Treasury Secretary William Miller's remarks that on the basis of an 800 dollar an ounce price, US gold reserves were worth more than all US dollar deposits of foreign central banks in the US together.

● The current retreat in the price of gold does not look as if it will be of long duration, Degussa said.

The German metals concern said in its latest monthly report the continued world-wide inflationary trend must, in the long-term, give the gold price a new impulse.

FINANCE

Commodity prices plunge in bear raid

Argus 19/3/80

(79) ~~(74)~~ ~~(217)~~

Financial Editor

RAMPAGING bears have sent the prices of many commodities crashing in the past few days. Gold, platinum, copper, lead, zinc and sugar have all suffered from the bears' predatory operations.

Mounting fears that the United States Treasury's tight money policy and President Carter's proposed anti-inflationary package could trigger a major international recession have led to the bears encountering little opposition.

In fact, there seems a strong likelihood that many speculators and businesses could add to the selling pressure by dumping stocks on to the market.

In New York last night the bears were given another boost by an announcement that the Chase Manhattan Bank was raising its prime rate from 17,75 percent to a record 18,25 percent.

Chase said the adjustment brought the prime rate to a level which better reflected the general increase in market rates, reports Reuter.

News of the increase in Chase's prime rate apparently helped to push the gold price down to 532,50 dollars an ounce in New York last night, which was 22 dollars below London's close yesterday afternoon and 45 dollars down on the day.

In London this morning the price fell to 500 dollars before recovering slightly.

Platinum and silver prices have also fallen sharply. The free market plainum price is now 765 dollars after touching 1015 dollars an ounce last Friday.

The silver price has dropped back to 27 dollars an ounce. Five weeks ago it was 40 dollars an ounce.

The London copper price dropped almost £400 a ton in the same period while the zinc price is also substantially lower.

Reports of large-scale liquidation of gold stocks were confirmed last night by Mr Robert Guy, a director of N M Rothschild and Sons.

Speaking in Tokyo, he said that dishoarding had reached its highest level since 1974 and industrial demand for gold had declined.

Gold price

GOLD price fixings in London.

	Dollars an ounce	Rands a kg
Today 10.30 am	502,75	13 141,39
Yesterday 3 pm	556,50	14 546,38

Kruger rand

KRUGER RAND today: Banks, sell R524,79 (R542,58); Reserve Bank, buy R455,49 (R467,27); Cape Gold Coin Exchange, sell R585 (R589), buy R550 (R555).

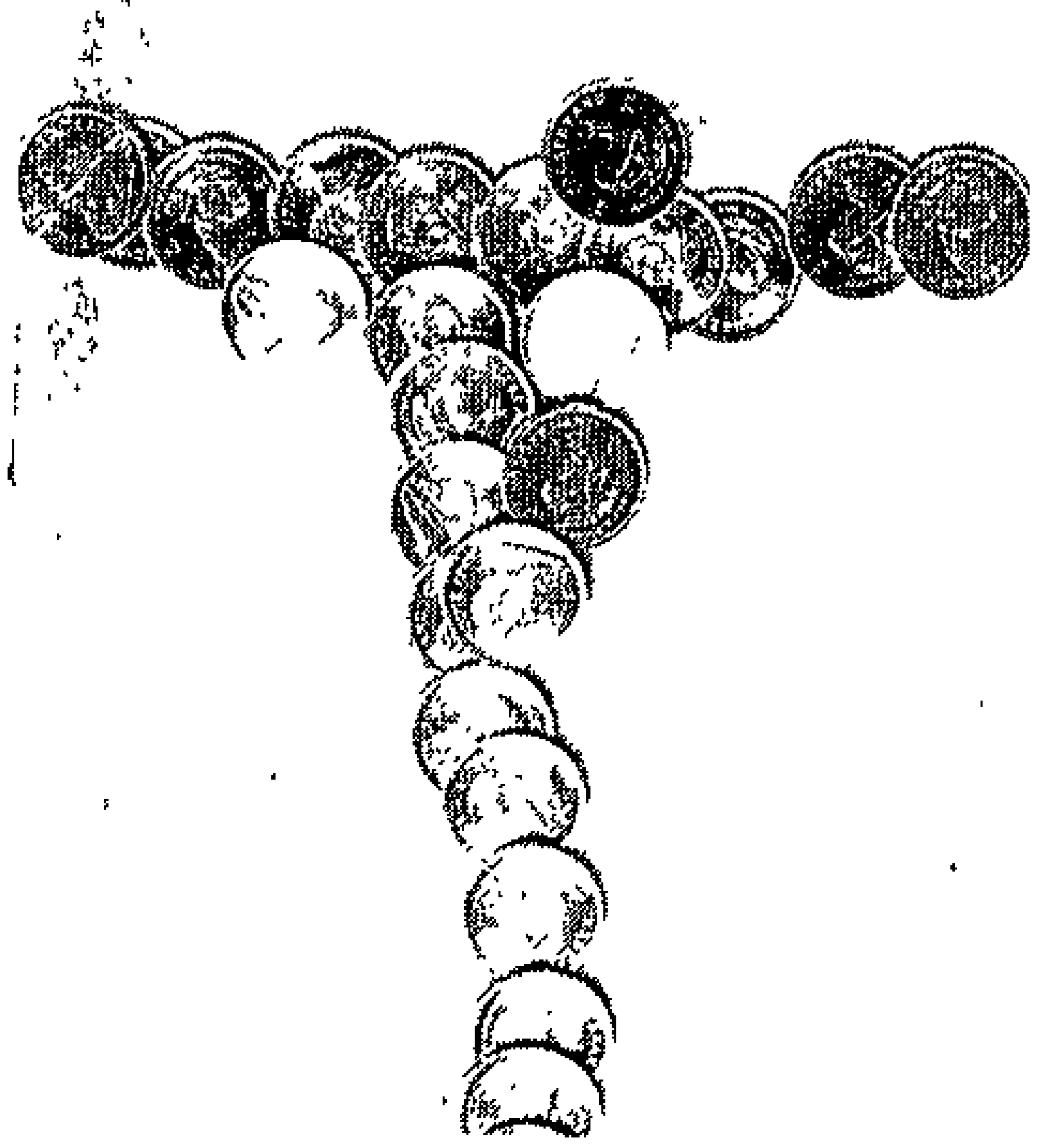
KRUGERRAND MARKETING

Golden sibling

FM 29/2/80

Intergold and the SA authorities have agreed on the principle of minting a little brother to the triumphant Krugerrand, to contain one half ounce of gold.

Eli Levine, MD of The SA Gold Coin Exchange, judges the decision an astute piece of marketing judgement, especially from the viewpoint of timing. Along with other concerned parties, Levine had for



Half a loaf is better than none

some time been urging the minting of a half-ounce coin, but the doubling of bullion prices within six months lent urgency to the situation. With KR being priced out of reach of the small man, and the Soviet Union, Canada and the USA each minting or planning to mint fractional-ounce coins or medallions, a marketing gap had opened up which the new half-ounce Kruger will effectively fill.

Don MacKay Coghill, chief executive of Intergold, emphasises that an agreement in principle is really all there is for the moment. But there is an understanding that the new coin will be marketed in the same way and alongside the KR. In effect, Intergold will be telling the world that the new half-ouncer will be offered by "those wonderful folks who brought you the KR."

Coghill's personal view is that the half-Kruger should have the same design as the Kruger, the only differences being denomination and — obviously — size. But he emphasises that all these decisions are still quite open.

Also, production runs will be determined purely by demand, as with the KR. This feature will make the half-Kruger what Intergold terms a "bullion coin" (one bought purely for its bullion content) without any "collectable" value deriving from scarcity of the coin itself.

Levine notes the general buoyancy of coin markets: Canada's projected coin mintings for 1980 and 1981 will absorb 2m ounces each year — all of that country's expected output. And US output of under 1m ounces per year will be exceeded by mintings of 500 000 one ounce and 1m half-ounce medallions. Two other important coins are the UK's "new sovereign" (4,5 to the ounce) and the Soviet chervonets (of which 4 make 0,96 ounce). But the Russian coin has been a distinct marketing failure. In the first year of marketing, (around 1975) the Russians planned to mint 20m, but sales reached only 500 000.

Coghill also gave the *FM* an important snippet of news Negotiations to set up new local KR marketing arrangements are continuing (see *FM* January 25). Intergold feels that the present method is not ideal and ways and means of improving it are being considered.

25–44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45–64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

ALL CAUSES

	W		A		C	
	M	F	M	F	M	F
0–1	21,76	16,18	40,44	27,11	133,70	119,02
1–4	1,17	0,94	2,42	2,39	17,22	16,2
5–24	1,05	0,46	1,31	0,74	2,26	1,2
25–44	3,02	1,47	4,33	2,48	8,80	4,9
45–64	17,46	9,49	26,27	18,72	24,27	17,8
65+	73,62	54,55	92,20	82,93	96,90	71,7
ALL	9,44	7,40	8,03	5,51	14,62	11,0
NO.	19600	15374	2828	1967	16632	1284

SUNDAY TRIBUNE, MARCH 9, 1980

There's still risk in gold

79

Tribune 9/3/80

THE UNWARY MAY SOON GET CAUGHT

By BEN TEMKIN

ANYONE now investing in gold and gold-related investments has to appreciate that the fundamentals for a continuing improvement in the price of bullion are radically different from those which prevailed well into the first few months of 1979.

Dr Jeffrey Nichols, chief economist and vice-president of Arrus Research Corporation, New York, points out that the advocates of gold related investments have been mostly correct in the past decade.

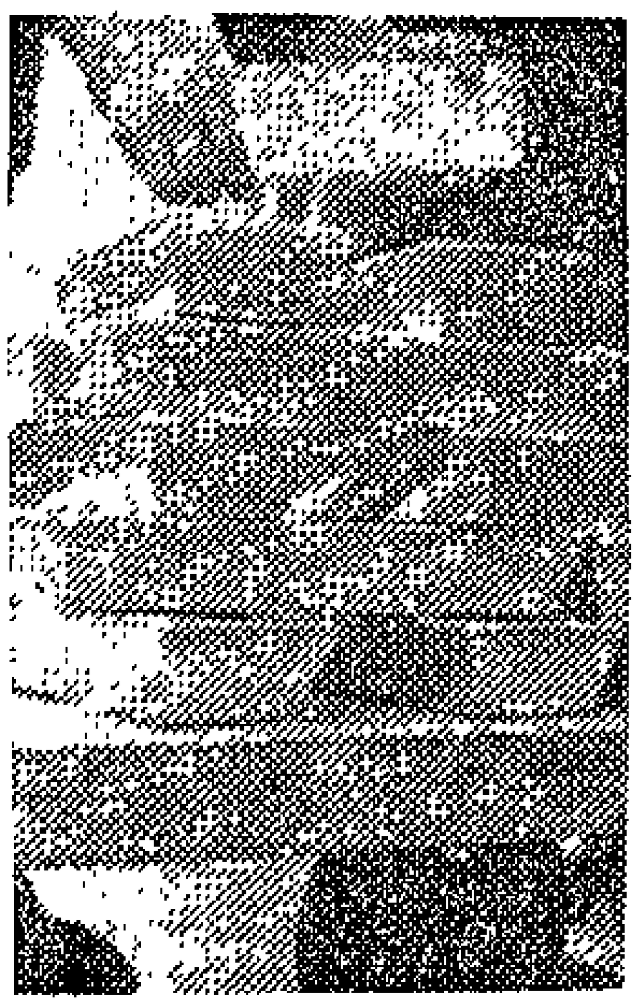
They foresaw the persistently excessive expansion in the US money supply and the casual factors behind it: Washington's free spending policies and widening deficits.

They were also among the first, Nichols adds, to appreciate the significance of continuing international payments deficits in the US as well as the flood of US dollars overseas.

Moreover, they correctly perceived gold and gol-mining equities as an insurance policy that would enable investors to shield their wealth from the decline in the dollar's purchasing power.

In the past year, however, the gold markets have become disassociated from the economic fundamentals which, since the last 1960s, largely controlled the rise and fall in the metal's price.

Nichols says that during much of 1979, the buyers of gold and other precious metals seemingly lost touch with economic reality — the rush apparently being governed by mass psychology.



The magic metal. The bars of gold weigh 12,5 kilos apiece

But, he points out it would be naive to think that the gold markets are now out of touch with reality. What has happened is that the realities have changed drastically since October of last year — and in a fashion that few observers could have predicted or imagined; gold bugs included. These realities are of course, all too obvious — the Iranian and Afghanistan situations in particular.

Nichols notes that if anything, the bullion price should have dropped precipitously following the Federal Reserve Boards turn towards strict monetary controls last October — but it didn't.

Perhaps, he says, the markets were not fully convinced that the Central Bank would achieve its goal of stabilising money growth within an inflation-cooling range or that the renewed leap-frogging of oil prices would somehow short-circuit the Fed's efforts to reduce inflation, despite its good intentions.

More likely, however, is that market participants care less today about the monetary equation which relates changes in the price of gold to the degree of excessive growth in money supply relative to money demand and are focussing directly on events in the Middle East.

Although the monetary realities must re-exert themselves at some point, the current anxieties may continue to govern the movement of precious metals prices for some indefinite time.

Nichols is also concerned with a possible drop-off in demand for industrial usage and jewellery fabrication of gold — because of the metal's high price — and the possibility of a resurgence in Soviet sales from 250 tons to 400 tons this year.

He says, in sum, that gold-related investments are not without their risks — as the unwary investor may soon discover. The metal is clearly overpriced in relation to the economic fundamentals and is vulnerable as well on a cyclical basis — but as long as the stability of the Middle East continues to show signs of deterioration, the gold bulls may still have additional running room.

79

Tribune 9/3/80

Gold raid will boost De Beers

ONE company announcement which is eagerly awaited by the investment community comes on Wednesday. It is the preliminary year-end results from De Beers which, though generally regarded as a diamond company, has very important gold holdings as well.

In fact its gold mining dividend income, which has been very respectable in recent years, is likely to be even bigger and better in the year ahead, once the recent raid into Consolidated Gold Fields has been tied up.

At the interim stage, De Beers posted net profits of R340,1 million in the comparable period of the previous year.

Despite the earnings drop, the interim dividend was held. But analysts are wondering what year-end results will look like. After last year's record earnings, De Beers may well find it hard to exceed previous levels but there was a diamond price hike last September from which there will have been some benefit, and there was the recent February price increase which will work through to the current year.

However analysts are hoping for a modest increase in the final dividend when results are announced next week.

From the banking community Standard Bank fired its profit gun this week, but this disappointed some commentators. Standard managed a 24 percent advance in net income, but the rate of increase in earnings did not match that of other banks which recently reported.

However a deeper look at results shows that there was a capital increase which obviously had its impact on net earnings a share, and that the group still managed to improve further its return on shareholders' funds.

There was a higher dividend, and other analysts still believe that as the economy gathers steam, Standard will do better and be seen to be doing better. As an investment, the share remains sound — and if, as expected, the economy continues to gather steam, the share could still have some steam left in it.

There was market excitement (if not confusion) over food company H. Lewis this week. After an announcement that its negotiations had broken down, it was reinstated — only to be suspended again as the parties concerned haggle about alleged options already granted to Tongaat.

Those who have been firm buyers of Grootvlei over recent months had their faith justified this week with publication of the annual report. Chairman W. R. Weeks says that provided the relationship between the gold price and costs is maintained then Grootvlei's life could be extended to possibly more than eight years.

Marievale, however, merely says that it can't take any major decisions until the gold price stabilises.

Friday saw Randfontein, in the JCI camp announce a massive mine expansion. It plans a R200-million development on the Cooke 3 Section from which production should start in 1985. The share price has been kept high on the expectation of such an announcement.

The tenor of company results was generally good again this week though, with investment eyes on Rhodesia, market price movements were not over exciting.

Golds, however, continue to attract attention ahead of the next round of dividend increases, which many are confidently predicting must be dazzling.

Protea Holdings announced it had sold its computer business to ADS-Anker Data Systems with effect from Apirl 1. The price was not officially disclosed, though some were suggesting a R2 million figure which should provide funds which can be redirected to other areas of the group.

One deal of excitement and promise was the Altech-Bitcon deal. The nuts of it are that a controlling 52 percent stake in Altech has been injected into Bitcon which has been rechristened Allied Electronics Corporation (Altron).

Powertech has declared a maiden 2 cents a share dividend and turned out earnings better than budget — 5,1 cents a share against a forecast 3,4 cents a share.

Samancor announced a five-way share split, which should improve marketability and put the shares within easier reach of many investors, and net earnings of 220,63 cents a share for the year ended December against 197,83 cents previously. The dividend rises from 55 cents to 90 cents a share.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS. AS AT 29 02 80 PAGE 1

17000 BACHELOR OF ARTS (HONOURS) YEAR : N/A 17000

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL		
~~101795X~~	~~FRATER~~	~~SHEILA JOSEPHINE HOWARD~~	~~105703~~	~~LATIN HONOURS~~	~~2+~~ (70)	~~4~~	~~101795X~~
1207760	RUBIN	VIVIENNE	109701	HEBREW HONOURS	3	4	1207760

* TOTAL NUMBER OF STUDENTS 2

DEAN

REGISTRAR (ACADEMIC)

BRADFORD, H J ECONOMIC HIST. HONS 1 80%

79

AMGOLD

Narrowing discount

On fundamentals, Amgold should be sharply rerated, but uncertainties surrounding bullion have kept the share price back. At its current 8 500c, the share is trading at a 19,7% discount to its year-end nav of 10 177c.

While this is substantially lower than the 30,9% discount when the share was trading at 3 400c a year ago, and when the nav was but 4 917c, bullion receipts have yet to fully impact on results.

A year ago, with bullion at $242, the share was rated on an 8,4% prospective yield. And if bullion averages $500 this year, the share yields well over 11% prospectively.

In the year to end-February, investment income rose 80,0% to R133,9m, compared
with R74,4m in the 14 months to February
28 1979. Administration costs increased to
R1,8m (R1,4m) and R2,2m (R1,9m) went
towards prospecting and acquiring miner-
al rights. So, after deducting the R2,6m
(R1,7m) absorbed by the pref dividends,
shareholders were left with an 83,5% high-
er attributable profit of R127,9m
(R69,7m), equivalent to earnings of 582,8c
(317,7c).

Predictably, with the gold price rising
throughout last year, Amgold's second-
half earnings of 350,3c were about one-
and-a-half times as high as the 232,5c
earned in the first period. Consequently,
the final dividend was more than doubled
to 350c (150c) making a total 525c payout
for the year.

The balance sheet indicates the market
value of listed investments increased to
R2,2 bn (R1,1 bn) and that the group has
cash assets of R69,5m (R24,5m).

The company's single largest source of
revenue is Vaal Reefs, in which it has a
16,4% interest. At a gold price of $500
income from source could exceed R30m.
Other important investments are East
Driefontein (11,1%), West Driefontein
(14,2%), Western Deep (13,2%), Western
Holdings (20,9%) and FS Geduld (20,2%),
from which it could receive some R20m
each. As the group's expenses are negligi-
ble and as it does not pay tax on dividend
income, this is immediately translated
into earnings.

In the case of Amgold it is fairly simple
to calculate income prospects. This can be
done roughly, by adding up the possible
dividends from each of its gold mining
investments plus the R8,0m it could re-
ceive from Goldfields and deducting some
R10m for costs and pref dividends. Based
on bullion at $500, income should be in
excess of R230m. This amounts to earn-
ings of around 1 050c, from which 1 000c
could be paid for an 11,7% prospective
yield. On this basis the share appears to
be underpriced.

Peter Pittendrigh

SA plans a gold 'war' (79)

Financial Editor RDM 15/3/80.

SOUTH Africa is planning a counter-attack to reverse the falling gold price.

Senator Owen Horwood, the Minister of Finance, said in Cape Town yesterday that South Africa's balance of payments was so strong the country could afford to hold back gold from world markets if and when it wanted.

The statement followed a further fall in the London gold price yesterday to $523, although that was an improvement on the morning when it was briefly quoted below $500.

The gold price has dropped $86 this week, mostly in reponse to higher US interest rates.

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BUSINESS MAIL

SA gold sale policy switch

(79)

RDM 15/3/80

By HAROLD FRIDJHON

A SIGNIFICANT change in South Africa's gold-marketing policy was announced yesterday by the Minister of Finance, Senator Horwood. He said that if it was desirable, a substantial proportion of gold output would be withheld from the market.

Senator Horwood said: "Although South Africa has in recent years continued to sell virtually its full gold output, its overall balance of payments surplus is at present so large that it is in a position to withhold a substantial proportion of its gold production from the market if it deems it desirable to do so.

"Such action would be in accordance with South Africa's traditional policy of building up its official holdings from production in times of balance of payments surplus.

"South Africa has always marketed its gold in a responsible way and will continue to do so. Given its present large balance of payments surplus, however, South Africa's gold marketing policies will in future be more flexible."

He was commenting on the decline in the gold price which, he said, was associated with the rise in US interest rates to abnormally high levels, the strengthening of the dollar and the expectations of an anti-inflationary package in the United States.

He said that the underlying forces affecting the gold market, such as the vast payments surpluses of the Opec countries, world inflation and political and economic uncertainty, had not fundamentally changed. He remained confident that the gold price would continue on an upward trend in the long run.

Senator Horwood's statement will come as no surprise to bullion markets. Last Wednesday, Neil Behrmann reported in Business Mail that bullion dealers in London stated that South Africa had cut gold supplies in an effort to settle the markets. Reduced supplies had been offered for the past week.

In the short term, the reduction of supplies does not appear to have had any marked effect on the markets which are in a state of disarray. Opening last tions on the South African money market. It could mean that supplies of foreign currency to this country would be reduced and the state of excessive liquidity which is currently bringing down interest rates to almost absurd levels would gradually be absorbed and interest rates could begin to harden again.

This depends on how much gold is withheld. If the flexible marketing policy results in only a marginal withholding of supplies, the effect on money markets could be negligible. Although the major impact would be on the balance of payments and the supply of foreign currency, the internal money supply position would not be too severely curtailed.

The mines would have to be paid for the gold they sell to the Reserve Bank. Assuming a mine delivers 10 000 ounces to the bank, which in turn sells only 8 000 ounces to the market, at what price does the bank credit the mine for the 2 000 ounces of unsold gold?

Or will the Reserve Bank work on a voorskot and agterskot basis?

On this will depend the rand supply of money to the system — and gold-mine profits and dividends.

Another point which will have to be taken into consideration is world reaction to Senator Horwood's statement. If he had said nothing and had merely acted, the market might have suspected the withholding of supplies as a trader's prerogative.

But making the decision public could be read as a sign of weakness, that the South Africans are beginning to panic about gold.

This is a reversal of the position when the US Treasury sold gold into a bull market to try to curb it; all that it succeeded in doing was adding oil to the speculative fires.

Senator Horwood should spell out the gold-sales policy as it affects the mines, otherwise it could hit severely the gold-share market which is staggering from the world pouring scrip on to the JSE and other stock exchanges.

STJ:3-9

1501. B.A./LL.B.

EXAMINATION RESULTS IN FACULTY ARTS

YEAR : 1

AS AT 29 02 80

PAGE 1

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
								15016
~~154234R~~	~~ARP~~	~~HANS-ERIK~~	~~105105~~	~~LATIN ELEMENTARY~~			~~1~~	~~154234R~~
157795R	HARRETT	MICHAEL CORRAN	117101	POLITICAL SCIENCE I	UP	(59)	1	157795R
~~155562D~~	~~[illegible]~~	~~GLENN [illegible]~~	~~102101~~	~~AFRIKAANS~~	~~UP~~	~~(57)~~	~~1~~	~~155562D~~
156581X	COHEN	PETER DAVID	117101	POLITICAL SCIENCE I	UP	(57)	1	156581X
~~155004E~~	~~[illegible]~~	~~[illegible]~~	~~105105~~	~~LATIN ELEMENTARY~~	~~ABS~~		~~1~~	~~155004E~~
157855G	DE KOCK	RODNEY JAMES	105105	LATIN ELEMENTARY	UP	(56)	1	157855G
~~154395K~~	~~[illegible]~~	~~[illegible]~~	~~117101~~	~~POLITICAL SCIENCE I~~	~~UP~~	~~(59)~~	~~1~~	~~154395K~~
155623Y	FISHER	MICHAEL ALEX	102101	AFRIKAANS	F		1	155623Y
~~150195G~~	~~[illegible]~~	~~DENNIS~~	~~117101~~	~~POLITICAL SCIENCE I~~	~~UP~~	~~(56)~~	~~1~~	~~150195G~~
158314F	GORDON	STEPHEN MICHAEL	105104	LATIN I	F	(31)	1	158314F

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

15036 B.A./LL.B. YEAR : 3 15036

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
~~101834P~~	~~HACK~~	~~BRYAN CECIL~~	~~602101~~	~~PUBLIC INTERNATIONAL LAW~~	~~ABS~~		~~4~~	~~101834P~~
1154740	HARPER	GREGORY MARK	602101	PUBLIC INTERNATIONAL LAW	2-	(67)	5	1154740
~~11433BF~~	~~JACOBS~~	~~DENISE ELLEN~~	~~604201~~	~~ROMAN DUTCH LAW I~~	~~1~~	~~(76)~~	~~4~~	~~11433BF~~
1030696	LEWIN	DIANE	603202	ROMAN LAW & JURISPRUDENCE	I3	(53)	4	1030696
~~100344V~~	~~LOWE~~	~~BRIAN ANTHONY~~	~~603202~~	~~ROMAN LAW & JURISPRUDENCE~~	~~IUP~~	~~(56)~~	~~5~~	~~100344V~~
094440C	MAYO	HENRY	603202	ROMAN LAW & JURISPRUDENCE	IUP	(50)	4	094440C
~~102253V~~	~~WILLIAMS~~	~~MICHAEL DAVID~~	~~603202~~	~~ROMAN LAW & JURISPRUDENCE~~	~~IUP~~	~~(50)~~	~~4~~	~~102253V~~

* TOTAL NUMBER OF STUDENTS 7

DEAN

REGISTRAR (ACADEMIC)

UCT

GOLD FIRMS

Bus. Argus 15/3/80 (79)

LONDON. — Gold firmed here yesterday to close at 526,50 dollars after 523 dollars at the afternoon fixing and 502,75 in the morning.

The price rose in a flurry of activity after Senator O. P. F. Horwood, Minister of Finance, said South Africa was in a position to withhold a substantial part of its gold output from the bullion market if thought necessary.

He said such action would be in accordance with the traditional policy of building up official gold holdings from production in times of balance of payments surpluses.

South Africa had always marketed its gold responsibly and would continue to do so, but the marketing policy would be more flexible in future, he said.

At one point the price rose to 539 dollars. During the morning it touched 500 dollars. — Reuter.

79

GOLD

16-3-80 - 31-12-80

(79) S Times 16/3/80

Gold price slump drives shares lower

STIFF upper lips, sinking tummies filled with nervous butterflies and apprehensive teeth chewing on all manner of bullets, were conspicuously evident in Diagonal Street this week as gold took the icy plunge below $600 and millions of rands were lopped off share values.

Principal casualties were, predictably, gold shares. But the backwash also left metal shares (and in particular platinums) floundering, while industrials, although holding up well in the wake of the carnage so prevalent elsewhere, closed the week marginally lower on balance.

Analysts tend to be divided on the likely immediate outlook for the JSE. Opinions of all shades are almost as numerous as the analysts themselves

However, at the root of most forecasts is a marked nervousness and there is little doubt that the preponderance of bullish sentiment which was so widespread in months past has diminished

One analyst, who believes that we have entered a long-term bear phase, believes that the over-riding factor at present is the share market's traditional anticipatory characteristic.

He says: "To my mind, the decline in share prices and the higher yield pattern are telling us that interest rates are about to move higher. This, in turn, tells us that share prices will fall further and that the gold price will continue to decline. Given this scenario, I cannot but be bearish on the outlook for the JSE."

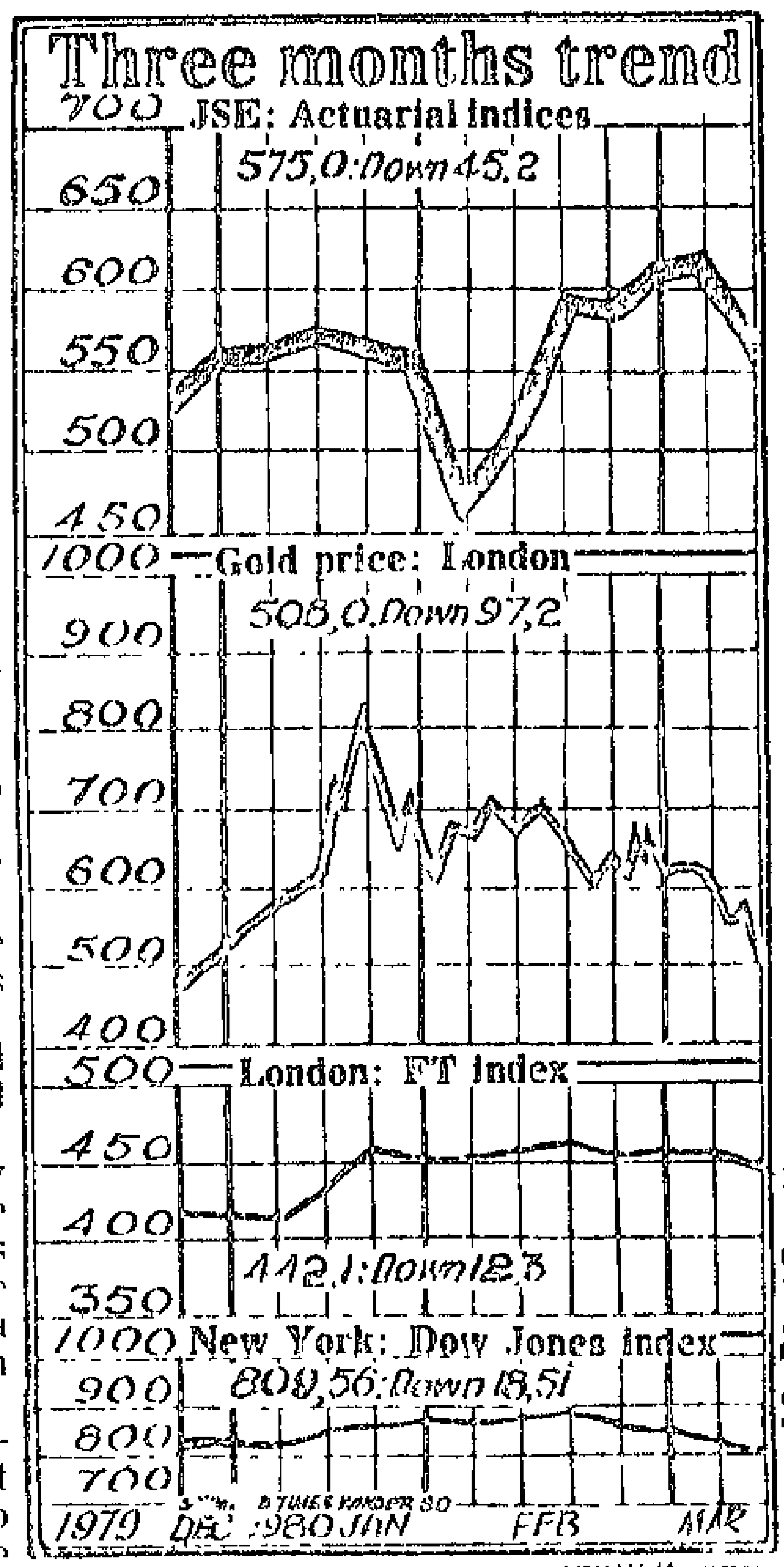
Another is also pessimistic for the medium term, but for different reasons. He sees the commercial rand moving up, accompanied by a reduction in liquidity and higher interest rates. Ant if interest rates rise, share prices must go down.

The financial rand, too, will be a major factor in determining share prices and if it recovers following the recent decline, "share prices could collapse as overseas investors enter the market as big sellers".

He feels that such a development could shatter confidence and result in widespread falls across the board

Although views of this ilk differ in many respects from those being expressed by the investment managers of leading institutions (see page 1), it is worth noting that the institutions tend to look at the market from a vastly different standpoint than others with very different investment needs.

It is also noteworthy that although the degree of bearishness has increased over the past couple of weeks, many analysts continue to express optimism over the outlook for the balance of this year - and beyond



Those of bullish bent continue to trot out the customary reasons to give weight to their views. These include:

- The SA economy is extremely soundly based and can withstand most adverse influences from abroad
- The gold price will not fall much further because those sources which have been substantial buyers of gold in the past now have a vested interest in the metal and will, therefore, bring their weight of funds to bear on the market should it decline to lower levels.

The extremely attractive ... to gold

against any substantial declines. Accordingly, general market sentiment will not be adversely affected to any marked degree.

Meanwhile, Clive Roffey has become "a rampant bull on gold shares for the final move through to mid-May"

He contends that this not a bear market and that the current sell-off is a five-star buying area for gold shares and commodities

He concludes, "Somewhere around the $560 $570 mark is the bottom of this final panic sell-off. Once this has been achieved the price will rapidly move back above the $600 mark on its way to its final peak around the $850 mark."

Tribune 16/3/80 (79)

Golden rainbow splits the gloom

THERE was something for the comfort of the gold bugs as the London gold price touched a 1980 low this week. The flood of golden dividend announcements did much to offset the gloom of those who saw the gold price in London and other centres come crashing down through the 600 dollar an ounce barrier.

Fat gold mining dividends had long been expected because of the performance of the gold price in late 1979 — and now the evidence is coming through.

Amgold, the investment company with a bundle of gold shares, announced that it had been a very good year in the 12 months to February. Investment income shot ahead to R133,9 million, net profit rose from R69,7 million to R127,9 million, and net earnings turned out at 582,8 cents a share, from which a total dividend of 525 cents a share was paid.

Demonstrating the sharp rise in market prices was the net asset value at balance sheet date — 10 177 cents against 4 917 cents a share at previous balance sheet.

Friday saw a fat dividend from Harmony which more than trebled its final payment to 165 cents, making 250 cents a share for the year. And from the Lonrho stable came payments from Tweefontein, Corsynd, Duiker and Witbank cons.

De Beers obviously received wide press coverage and comment — but if there was any disappointment in the pedestrian increase in group year end earnings, which merely rose from 205,5 cents to 205,7 cents a share, there was relief that the final dividend was raised by as much as it was.

The interim was held, and analysts were looking for only a modest increase. In the event, De Beers final moved up from 45 cents to 52,5 cents a share. The diamond account was lower, and group pre-tax profit was slightly down — so it was the lower tax charge which effectively saved De Beers from reporting an earnings dip in 1979.

But analysts tend to look forward — and with Cons Gold now firmly in the De Beers camp — there is a group 25 percent stake — benefits this year should start to flow.

As anticipated by Tribune Finance two weeks ago, following improved results from Toyota, Veka came out with a good profit statement this week. The company has resumed payment of preference dividends, but ordinary dividends will not flow just yet — though, of course, if the pace continues to gather steam, then it can't surely be that long before ordinary dividends flow again?

Tiger Oats' group presented a fairly interesting set of results on Thursday, and Barclays group annual report spoke of high hopes for a further improvement in the year ahead. The annual report confirms the excess capital Barclays has over Banks Act requirements, and as commentators have pointed out, this places the group in an excellent position to muscle in on the improved economic conditions which economists are confidently predicting.

H. Lewis remains suspended on the JSE and the situation remains somewhat confused. The controlling shareholders of H. Lewis have granted an option to Tongaat over 50,5 percent of the company at a price higher than 724 cents a share.

But one of the original bidders for H. Lewis claims that he already has a deal with the controlling shareholders at 724 cents a share. The mystery bidder is, I understand, Natie Kirsh's group. H. Lewis could fit into both groups' well — both have food interests, so the question which only needs to be answered is: Whose cheque will it be?

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 5

13010 BACHELOR OF ARTS YEAR : 1

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
159454V	MCCARTHY	MELISSA JANE	911102	MATHEMATICS IA	3	(50)	1	159454V
152965K	MEHL	ANNETTE ELISABETH INGRID	10R102 40?102 91?103	GERMAN INTENSIVE CHEMISTRY IB ANIMAL BIOLOGY (HALF COURSE)	ABS F F	 (27) (39)	7	152965R
157093D	MERCURIO	GIANCARLO	110101	HISTORY I	ABS		1	157093D
155747Q	MICHAELS	KAREN	603101 ~~[illegible]~~ 107101	SOCIOLOGY I ~~[illegible]~~ ENGLISH I (PRE-1980)	ABS ~~[illegible]~~ SNX	 ~~(50)~~	1	155747Q
158469Z	MITCHELL	JANE	114101	CULTURAL HISTORY OF W.E. I	UP	(50)	1	158469Z
157815N	MORRIS	CATHERINE MARIA	004101 107101 115103	PSYCHOLOGY I ENGLISH I (PRE-1980) ITALIAN INTENSIVE	UP SNX F	(59) (48)	1	157815N
150180P	MORT	MELISSA RUTH PRINCE	114101	RELIGIOUS STUDIES I	UP	(62)	1	150180P
150783V	MULLER	SUSAN FLORENCE	110101	HISTORY I	UP	(50)	1	150783V
157521U	MURRAY	ESTELLE	116120	DRAMA I	ABS		1	157521U
137983G	NAKIDIEN	MOGAMAT TOYER	107101	ENGLISH I (PRE-1980)	SNX		7	137983G
157560L	NASH	JENNIFER ANNE	004101 115102	PSYCHOLOGY I FRENCH INTER.	2- F-	(61) (47)	1	157560L
~~155924H~~	~~[illegible]~~	~~JENNIFER ANN~~						~~155924H~~

'n Nuwe krisis kan goud weer laat styg

RAPPORT 16/3/80 (79)

Van GIELIE DE KOCK, Londen

AL die elemente wat die goudprys oorspronklik die hoogte laat inskiet het, is steeds daar en net 'n enkele nuwe krisis kan die prys môre of aanstaande week weer na 800 dollars of selfs meer opstoot. Dit sal egter blote raaiwerk wees om in dié stadium te probeer voorspel presies wat met die metaal in die nabye toekoms gaan gebeur.

Dit is min of meer die samevattende mening van finanskenners met wie RAPPORT vandeesweek hier gesels het nadat die goudprys Vrydagoggend sy laagste kerf van 502,25 dollar per ons sedert die eerste week van Januarie bereik het. Mnr. Matt Greene, 'n Amerikaner wat as analis vir 'n groot finansmaatskappy van Saoedi-Arabië in Londen werk, sê die Arabiere glo steeds onwrikbaar in goud soos wat hulle in basis en ander metale, veral silwer, glo. Dit was veral die Midde-Ooste wat vir die vroeëre fenominale styging verantwoordelik was.

Die politieke wrywing tussen Rusland en die VSA oor eersgenoemde se betrokkenheid in Afganistan, pres. Tito se ernstige siekte en die blokkering van Amerikaanse bates in Iran, is van die faktore wat die midde-Ooste en ander wêrelddele sekuriteit in goud laat soek het.

Volgens mnr. Greene was die gevoel in Saoedi-Arabië dat pres. Carter se wetgewing om Amerikaanse bates te blokkeer, oorspronklik teen hulle as groot dollarbesitters gemik was.

Die faktore bestaan almal nog. Niks het verander aan die oorsake wat goud oorspronklik so die hoogte laat inskiet het nie, sê mnr. Greene. „As Rusland byvoorbeeld môre sou besluit om Pakistan ook binne te val, sal die goudprys weer ten hemele skiet," meen hy.

„Hoewel niemand presies sal kan sê hoekom die goudprys so gedaal het nie, kan 'n mens aanvaar dat baie van die spekulante hulle uit dié mark moes onttrek het. Die meeste van hulle het geld geleen om toekomskontrakte aan te gaan. 'n Man sou byvoorbeeld gekoop het op voorwaarde dat hy op 650 dollars sou uitklim sonder dat hy werklik geld uitgehaal het.

„Dié van hulle wat die mark nie reg gelees het nie, is gedwing om pad te gee en te vat wat hulle kon kry. Daar is ook spekulante wat op die goudwa gespring het om vinnig 'n paar dollars te maak en hulle is ook nie meer daar nie," sê mnr. Greene.

„'n Man kan nou vyftien persent op sy geld in 'n bank kry en gerus slaap, want hy weet dit is doodveilig. So 'n man sal egter nooit met sekerheid kan weet wat met goud gaan gebeur nie," sê mnr. Greene.

Hy meen egter dat veral die Midde-Ooste nie sy vertroue in goud sal verloor nie. Die mense glo steeds dat goud die laaste toevlugsoord is wanneer alles anders faal.

Omdat al die politieke onrus wat goud oorspronklik so 'n yslike stoot gegee het steeds daar is, meen mnr. Greene dat beleggers moontlik versigtig moet wees om na 'n korttermyn te kyk.

Ná Vrydagoggend se skielike daling het die prys gedurende die dag weer begin styg en is op 523 dollar vasgestel.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

14340 BACHELOR OF ARTS/HIGH.DIP.LIBRARIAN. YEAR : 4 14340

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL
~~1138601~~	~~HAWLEY~~	~~JENNIFER ANNE~~	~~144202~~	~~ARCHAEOLOGY II~~	~~F~~ ~~(41)~~
			111706	PRINCIPLES OF LIBRARIANSHIP3	5 (50)

~~1138601~~

* TOTAL NUMBER OF STUDENTS 1

DEAN

REGISTRAR (ACADEMIC)

* Cannot graduate H Dip Lib as she has failed B.A.

Golds still look good

79

(DM) 17/3/80

By HOWARD PREECE
Financial Editor

IN THE stock market or out? Gold shares or industrials? Shares or Krugerrands? The sharp tumble in the gold price from $850 on January 21 to nudge $500 on Friday and the landslide election victory by Mr Robert Mugabe in Rhodesia have combined to produce a new bout of investor uncertainty.

Casualties, however, have been fairly light in gold shares and insignificant in industrials.

The gold-share market has been extremely cautious. When gold hit $850 the Rand Daily Mail gold share index was 538,4 — on Friday it was 528,5.

True, the index reached a record 604,3 on February 6, but even for buyers on that day there is hardly call yet for panic.

Brokers and analysts keep pointing out that at an average gold price of, say, $500 there are remarkable dividend prospects from many mines.

Look at the latest batch of dividends, those from Union Corporation.

Winkelhaak has declared an interim payment of 194c against 80c previously.

Kinross is raising its interim from 32c to 84c and Leslie from 14c to 29c.

Some of these are below expectations, but they show the kind of dividend explosion that is on the cards, particularly since the full effects of even a $500 gold price have yet to be fully felt.

After roaring up at the pace it did in late December and January some reaction was inevitable.

Also, with US interest rates going through the roof and prime rate close to 20% and President Carter unveiling his latest anti-inflation package, the downward spiral was likely to accelerate.

In spite of this, however, all the main reasons that prompted the gold surge — world inflation problems, oil shortages, Russian militarism and turbulent Islam — remain with us.

None is open to short-term solutions and perhaps not even to medium-term ones.

It would, therefore, be highly premature to assume the end of this particular gold boom.

And with gold shares offering solid yield protection at even $400, this could well be the wrong time to sell.

It seems, in fact, as though it is precisely because many investors see it that way — and because many have been waiting for a correction to buy in to a boom they either missed or sold out of early — that the gold-share market has held up as it has.

There have been some more severe casualties overseas with the reverse gearing of the sharp widening in the financial rand discount from around 10% to close to 30%.

But that widening in turn means that yields are again that much more attractive.

What about Krugerrands?

On the surface gold shares always a look better bet except under apocalyptic conditions.

The buy/sell price range for Krugers is larger than for shares and the general costs and commissions with this mean that the gold price has to show a solid rise before one can even get one's money back.

Add to that the fact that Krugers, unlike most shares, pay no dividends and the case for shares seems clear.

The only drawback is that anyone who bought Krugers in, say, early 1974 is doing as well or better than those who bought shares.

This is because a fundamental re-rating of overseas investment attitudes to South Africa led to a sharp change in the kind of yields needed.

For all that I prefer shares.

I have argued that industrial shares generally look vulnerable to me in the event of any major political upheaval in South Africa.

As that must always be a possibility I would, therefore, only buy a few industrial shares which seem to have strengths not yet discounted.

Southern Sun is an example that I like.

But I should add that most investment opinion seems to believe that industrial shares overall still have some pace left in them and since that weight of opinion might create its own truth it would be foolish for me to counsel wholesale selling.

(79)

RDM 17/3/80

1974-75 again — on a grander scale

By HAROLD FRIDJHON

WHAT IS happening on the bullion market is merely a re-run of the 1974-75 scenario on a higher level, according to British commodities analyst Reg Eccles, who paid a whirlwind visit to Johannesburg last week en route from Mauritius to London.

He sees the gold price stabilising around $450 and he does not regard the possibility that the US Treasury and the International Monetary Fund might not be sellers as being bullish factors to boost the gold price for the simple reason that the real basic demand is not there in the market place.

A large part of the demand for gold in recent months has been the expectation that the gold price would go on rising. And expectation fed on expectation as speculative fervour mounted in the market.

And once the head of steam eased off — and the wise and the cunning had taken their profits — all one could expect was slippage in the price. And that apparently is what is taking place.

One should read Eccles with the report in Friday's Business Mail in which Rothschild's Robert Guy said that dishoarding had recently been at its highest since 1974 and that gold flowed back to Europe in vast quantities from the Middle East, the Far East and other parts of the world.

Taken together, the two commentators are trying to tell us that when speculators take hold of markets, those markets are not to be trusted.

On another tack for a moment, this is why our platinum moguls are so wise not to be influenced by the free-market price and the futures price when setting their producer price.

They pitch their price on what the market will bear in terms of demand and the costs of supply. And for costs of supply read not only the physical costs of mining, refining and selling but the cost of capital to extend mines and to finance increased production.

But back to gold, Eccles' view is that gold is a commodity — maybe with a certain plus factor — and in viewing gold one must read it in perspective with all other commodity markets. And his attitude to commodity markets now is little changed from the opinion he expressed last September in the bi-annual review published by his company, Metals & Minerals Research Services.

Then he said that there are two main factors in all markets — economic and financial.

From the economic standpoint, he sees a weaker period ahead with world trade slowing down and with supplies increasing as demand starts to falter. This condition is manifesting itself as the steady decline in stocks is coming to an end and inventory accumulation is beginning.

This does not mean that in the less-bright future disaster lies ahead This Eccles does not see; nor does he see stocks building up and panic selling knocking down prices.

He sees prices coming down a little before a balance is restored. This will probably be at the point when the world pulls itself out of the trough and recovery slowly moves forward — in my opinion stimulated by the US rearming. So there is a little light just over the horizon.

The financial picture is not quite so bright and this, perhaps, is where one lacks a clarity of vision

First of all, there is inflation and there doesn't seem to be an end to that scourge.

Then there is that other apparently insoluble problem — the mounting overhang of the Opec surplus. And it's no use thinking that the Arabs are rushing around buying up gold. While there might be some gold among their assets, they certainly don't intend being the ultimate holders of gold without an active market place to give value to their holdings.

The other problem at the moment is high rates of interest. These will discourage hoarding of every commodity.

As far as industrial metals are concerned high interest rates will keep stocks low because nobody can afford to pay 20% to finance inventories. And when it comes to futures markets, high rates will exercise stringent controls on dealing.

But this situation is very little changed from that prevailing in the third quarter of last year. And very little different from the basic 1974/75 scene either We have been so blinded by the gold glister that we haven't seen the world scene in reasonable perspective.

And it's not a happy world.

My view is that once gold has stablised at its lower price — between $400 and $500 — Krugerrands will start to sell again, the hoarding of gold will begin all over again because everyone will wait for the next upswing.

And it will come. In spite of the IMF and the US Treasury talking about the demonetisation of gold, events are pointing to gold's playing its traditional role in the future as it has in the past.

It will be used to back the IMF's substitution account, it will be — as it always has been — an essential part of central bank reserves.

You need not worry about your gold shares and your Krugerrands until you read of Germany, France, the United States selling off all their gold holdings because they no longer need them. Until then sleep soundly.

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RD 18/3/80 (29)

US anti-inflation package hits gold

LONDON — President Carter's anti-inflation package boosted the dollar and knocked the glitter out of gold and other precious metals on world markets yesterday.

One dealer in Brussels commented: "We are all bulls for the dollar at the moment."

Gold plunged to $480 an ounce on the bullion market here, the lowest level since last December and a sharp fall from Friday's close of $526. Silver, platinum and palladium also fell.

It was a far cry from the wild gold rush earlier this year when gold reached a record $875.

The general opinion on the markets was that Friday's Carter package, which promised to cut United States Government spending by $14 billion next year, to put new restrictions on credit and to tax oil imports, would be good for the dollar at least in the short term. — SAPA-RNS.

Gold shares rebound as bullion rallies

79 20/2/80

BY PAUL DOLD
Financial Editor

GOLD shares rebounded smartly yesterday as bullion opened sharply higher and widespread gains were seen across the board with Doorns leading the field with a 16 percent spurt.

Mr James Williams from Farber Datsun was recently presented with a gold award by Datsun Nissan for outstanding sales performance in 1979. Only seven people in the country were honoured with this award.

Throughout the day gold continued to strengthen, touching $531 at one stage in the afternoon before the late fix at $527.

Whether the renewed firmer trend continues, remains to be seen. President Carter's various announcements over recent months have failed to impress the market. But there is little doubt investors are seeing a new upward movement in world interest rates which generally is not conducive to bull markets.

United States prime rates have already reached 19 percent — a staggering level for the business sector — and 20 percent looks a real possibility in coming weeks.

Japan has increased its rate, and yesterday Belgium's bank rate rose a full two points to a post-war record of 14 percent. The government has declared that it will defend the franc against other currencies and the past week the central bank is estimated to have spent some $660m in support measures.

What we are seeing is worldwide fear of inflation and countries acting defensively to support their currencies. The US package has, of course, exacerbated the whole question and hence the flurry of activity by central bankers around the world to take their own protective measures.

SA rates

One wonders for how long South African rates can remain in isolation from world trends and what action will be taken as far as the exchange rate mechanism is concerned. Our huge balance of payments surplus is a boon at this time particularly at this stage of the economic revival.

In Washington no less a figure than Henry Reuss, chairman of the House banking, finance and urban affairs committee, is criticizing the Carter economic programme for being insufficient to curb inflation.

In an interview with CBS he said the package will hurt employment, although he is not envisaging millions being thrown out of work.

"But the greatest tragedy is that Americans are still going to have to sit still for double digit inflation because the programme, while its got the right headings, simply doesn't do enough," he said.

Wall Street

Wall Street has rallied after the previous day's sharp falls,

Horwood on gold sales

JOHANNESBURG. — Finance Minister Senator Horwood said the decline in South African gold sales has been the direct result of a new and more flexible gold marketing policy, which he announced last Friday.

He told Reuters from Cape Town the recent decline in gold sales did not reflect a fluctuation in output from South African mines.

The new policy flowed from South Africa's large overall balance of payments surplus.

"Given this surplus, it is not at present necessary for South Africa to sell its full gold output on a regular basis, if it does not wish to do so."

Earlier, a Reserve Bank spokesman said the bank had become more flexible in its gold marketing strategy, but the overall policy of orderly marketing had not altered. — Reuter

gold either, the sources added.

Soviet sales stopped almost entirely last October, and its total sales last year were estimated at about 250 tons compared with about 410 tons in 1978.

The Soviet Union may wish to restock its own supplies if reports are true that it sold gold in 1978 not only from newly mined production but also from reserves.

On the other hand, it may have withdrawn because the rising price of gold meant it had to sell less in order to reach its foreign exchange target.

Russia possesses other commodities the prices of which have been rising and could also market these for hard currency purposes.

In Pretoria, a spokesman for the Reserve Bank said the bank has become more flexible in its gold marketing strategy, but the overall policy of orderly marketing has not altered.

The large surplus in the country's balance of payments position has enabled the bank to adopt this more flexible position.

Foreign reserves

Reuter says local analysts estimate the surplus on the current account of the balance of payments in 1979 will be of the order of R3,2 billion. In the first two months of 1980 total recovering some 13 points and analysts feel the slide had been overdone.

Senator Horwood's hint that South Africa might withhold gold supplies seems to hve been followed by action, according to a Reuters report from Zurich yesterday. Banking sources there claimed that South Africa had sold hardly any gold on the Zurich market for the past week. The fall off coincided with Senator Horwood's statement.

Most of the sources questioned by Reuters said the reason for the fall in South African sales appears to be the recent decline in the gold price.

Some, however, said it may reflect a fluctuation in output from South African mines.

South Africa is normally a fairly regular supplier of gold to the market, with variations usually resulting from differing production levels or fluctuations in Kruger rand sales, the sources said.

The spot gold price has been depressed by speculative bear positions on US forward markets, the sources said, and the fall in South African sales had little immediate effect on market sentiment.

The Soviet Union meanwhile continues to sell virtually no foreign exchange reserves have risen R262,8m to R5,8 bn and the gold content R22,5m to R5,1 bn.

The spokesman said however, "the bank does not want to rock the boat" and that, broadly speaking, past strategy in marketing current production has not changed.

He noted that historically the bank has always tended to build up the gold content of the foreign exchange reserves in times of balance of payments surpluses.

However, banking sources point out at present with sound rsserves and a large surplus the bank is particuarly well placed to withhold gold if deemed necessary.

In addition, the bank could undertake further gold swaps or borrow overseas, but this is considered highly unlikely.

Aluminium price up

RICHARDS BAY. — Alusaf yesterday announced that the primary aluminium price for 99,5 percent minimum purity melting ingot has been increased by 11,2 percent from R1 304 to R1 450 per ton f.o.r Richards Bay. — Sapa

Gold price bounces back sharply

79

STAR 20/3/80

Gold gained sharply on European markets this morning to be fixed in London at 561 dollars an ounce, buoyed by market doubts over the effectiveness of President Carter's anti-inflation measures and a weaker dollar.

The fix in London is about 40 dollars higher than last night's close and continued the pace set in New York overnight where strong gains were posted in the wake of heavy European buying.

Analysts said traders were sceptical about the Carter package, which proposes spending cuts and a balanced budget for 1981 with a possible surplus of 1 300m dollars.

Spot platinum closed 11 dollars higher at 690 dollars an ounce in a technical rebound after several days of sharp losses. The other months held small gains of 13 to 4,50 dollars on total volume of 3 493 lots.

QUESTIONED

John Cavill reports from London that bullion dealers questioned the wisdom of yesterday's confirmation by the South African Reserve Bank that it may be holding back gold sales in the interest of "an orderly market."

News agency reports that South Africa had sold "hardly any gold last week" sent precious metals prices on a roller-coaster ride.

Gold leapt 50 dollars to a peak of 531 dollars an ounce before subsiding to close at 518,50 dollars, a net 17,50 dollars higher on the day.

Bullion dealers questioned the "tactical look" of reports over the past week of South Africa withholding gold from the market.

"One has to ask why the South Africans are breaking with past practice. If they were holding back significant amounts it would work through to the price and public statements such as these would be superfluous," said one dealer.

"If they really want an orderly market they should simply act without announcing the fact. As it is these reports look rather like attempts to cheer up a bombed-out market — and that could be counter-productive. It is all rather surprising behaviour by the South Africans."

Huge buying of South African gold shares was reported by some stockbrokers with price gains ranging from 10 to 13 percent overnight — with Blyvooruitzicht's 27 percent through-to-peak jump a highlight.

GOLD

Point of balance?

(79) FM 21/3/80

"The dollar dethrones gold." That was the lead story headline of Paris newspaper *Le Figaro* on Tuesday this week as gold crumbled in the wake of President Carter's latest economic package.

But do the package proposals mean the re-establishment of the dollar as the *numeraire par excellence*? Or does *Le Figaro*'s headline merely reflect French journalistic hyperbole with the possibility that the dollar's reprieve is only temporary?

Probably the answer lies somewhere between the two. Swiss bankers, though not exactly welcoming gold's price fall from \$850 in mid-January to \$460 early this week, are at least phlegmatic enough to believe that a price shake-out was necessary and that from here on gold's basic worth will be increasingly appreciated.

Not that that necessarily means the price is set for an immediate and strong recovery against the dollar. However, the current shake-out could lead to greater realism in the gold market, and particularly, to a less antagonistic, official US attitude to it.

Before attempting to predict where gold is headed, analysis of how we reached the present market position is necessary. On a near-term view, gold was far too high at \$850. On US futures markets, December had seen a major bear squeeze with all but the strongest sellers forced to cover short positions. In covering, bears became buyers, thereby exaggerating upward price pressures in the forward markets. Couple that with Carter's freeze on Iranian deposits held by US banks plus heightened fears of hostilities with Russia's incursion into Afghanistan, and the bulls were in for a field day.

It couldn't last, of course. The Teheran hostage problem became a way of life for many Americans and support for violent steps against the Ayatollah became fewer and fewer. Effectively, Iran ceased to be a security threat while even the passions whipped up over Afghanistan have lost much of their fervour.

Meantime, professionals had started to sell gold holdings ahead of the January peak. And the selling was not confined to "sophisticated" Westerners. By early January, a wave of selling was spreading across the Far East to the Hong Kong market. And, insofar as Hong Kong lacked buyers, gold flowed to the markets of Europe and America. Couple that with the need of previously battered bears to recoup their earlier losses and the stage was well set for an increasing volume of short sales on US futures markets.

Apart from reflecting some confidence

FM cover, 1979 . . . time to place them again

that Carter's latest package will put the US economy back on an even keel, the last few days have seen a market operation aimed at squeezing out all but the strongest long positions.

Things could in fact become worse for the bulls before they get better. With Comex opening the limit down (if opening prices are more than a certain amount up or down on the previous close, no trading is allowed), holders of long positions are effectively locked into potentially escalating losses if they cannot trade out of their futures positions. To stem their losses, the bulls must reverse spot price trends.

What must be remembered, however, is that only a small percentage of contracts made on US futures markets reach maturity. Although activity in New York and Chicago affects gold prices, at times a significant part of trading is often largely targeted at short-term speculative ends rather than at gold's longer-term attributes.

Perhaps for the remainder of this year investors who want to play safe should as far as possible ignore the influences of US futures traders and concentrate on more fundamental issues.

Prime among these, for the present, is the latest US economic package.

If you believe that, this time around — unlike November 1978 — drastic treatment will bring US inflation under control, then the near-term outlook for gold is dim. With a 16% penalty discount rate to be charged to commercial banks by the Federal Reserve, prime rates of over 20% could be just around the corner. And that means a heavy cost penalty for carrying gold.

US interest rates are now such that, for example, anyone needing gold for December delivery could find it more attractive to hold interest-bearing dollar balances and buy physical gold at the year's end rather than immediately tie up cash in a December contract. For the first time in many months, US interest rates are now positive in real terms — but only just. Inflation in the US is running at anything in the region of 18%. But that could mean the cost of borrowing to fund inventories is so high as to keep the gold price under restraint.

If investors feel that Carter's proposals have a chance of succeeding in their inflation reduction aims without throwing the US into a major recession, then it is safe to expect gold prices to drift slowly over the next 12 months or so.

But Carter's problem is that previous

interest rate levels had already resulted in a major slowing down of new housing starts as well as slithering sales by the bell-wether Detroit auto industry. America's greatest fear is lengthening dole queues after the country's experience of the 1930s. On the other hand memories of hyper-inflation during the inter-war years makes unemployment a lesser fear than inflation.

But this particular economic battle is to be fought in the US, where Carter has retained the option of selective tax cuts and Federal spending if present moves throw the economy into a serious recession.

Carter's plan envisages balancing the Federal budget in fiscal 1981 through a combination of Federal spending cuts and the raising of \$3 billion through withholding taxes on dividends and interest. And that is before the impact of the \$4,62 per barrel tax on imported oil, which is expected to raise an extra \$10 billion.

Though the latter will almost immediately add something like half a percentage point to the nation's inflation rate over the next six months or so, more stringent credit restrictions, it is hoped, will bring inflation rates back down to within striking distance of single figures.

And if that is possible and inflationary expectations are reversed, then perhaps the Opec nations will feel safer in moderating their oil price increases. There is little advantage to them in spiralling Western inflation rates and economies fast heading for collapse.

The US economy, perhaps more than ever before, is walking a tightrope. Gold markets now have to decide whether the odds favour it maintaining its balance or whether too severe a recession will result in panic measures to restore consumer and Federal spending to counteract likely rising, and politically unacceptable, unemployment figures.

But that is a relatively near-term consideration. And, though the President's plans could result in the gold price drifting for the rest of this year, the outlook is brighter in the longer term. On the supply side, few Europeans believe that SA will hold back significant amounts of gold for extended periods, as intimated last week by Finance Minister Horwood. The ultimate result of such a move would be to destabilise gold — something SA has to avoid at all costs.

On the other hand, Washington politics are such that a resumption of regular US Treasury gold sales is most unlikely. IMF sales end in May, and are unlikely to be extended, though gold may be used as backing in the soon to be established substitution account. Unlike January, when gold was at \$850, the wave of selling by hoarders has all but dried up, while the Soviet Union is to all intents and purposes out of the gold market and likely to stay that way until prices improve.

Everything points to significantly lower supplies to the market than has been the case over the past few years.

On the other side of the coin, however, recent prices choked off a significant part of industrial and jewellery demand for the metal. And manufacturers who previously helped boost prices by buying ahead of further rises could now be dissuaded from this by significantly higher debt costs.

The latest US moves have tipped the balance back in favour of the dollar or, at least, have redressed the earlier imbalance, but gold has not been dethroned.

As US fears of a crumbling dollar recede and other currencies are strengthened by higher interest rates and possibly falling inflation rates worldwide, the US could adopt a more sensible approach towards gold's monetary role. And, at least during the next five years or so, Europeans see a trend towards a more active monetary role for bullion. It will probably not go so far as a return to complete convertibility, but in a world of greater currency stability, gold transfers between central banks could be on the cards. That, in itself, would add to currency stability.

There is, for the moment, little point in asking whether gold or the dollar has won the battle. Both have their roles to play as stores of value and neither can be allowed to get too far out of line if the world's economic stability is to be maintained.

But anything can happen in this particular game and panic liquidations of gold positions would be short-sighted. Gold's recent tumble has increased its attractiveness to buyers. If things go as planned by the US, bullion could be underpinned on a longer term view. But if the US' strategy falls apart, gold could put up a performance which would overshadow the price run-up of January. Essentially, investors prepared to take a medium-term view on the metal seem to be in a no loss situation. Gold and gold shares are still an essential in any balanced portfolio.

Gold boosts the 1979 surplus

(79) ~~(58)~~ RDM 27/3/80

THE ASSEMBLY. — South Africa's balance of payments strengthened remarkably with a surplus record of R3 107-million on 1979's current account, Senator Horwood said yesterday.

He said that during 1979:

- The gross domestic product had increased by 3,75%;
- Real gross fixed investment, which had declined for the three preceding years, had increased by about 2%;
- The number of registered unemployed whites, coloureds and Asians had declined to 1,5% of the relevant labour force in December which was exceptionally low;
- Black unemployment had declined although there was room for improvement;
- Inflation remained a serious problem with the Consumer Price Index increasing by about 14% between February 1979 and February 1980;
- The value of gold output had increased by 55% to R6 000-million;
- The value of merchandise exports increased by 19% to R8 856-million;
- The value of imports increased by 21% to R9 669-million although the volume had declined somewhat;
- Long term capital showed a net outflow of R755-million, mainly substantial repayments of foreign loans;
- Short term capital showed a net outflow of R1 886-million, excluding a decline of R441-million in "reserve related liabilities;
- Net gold and other foreign reserves increased by R466-million;
- The broad money supply had increased by 13%, which was once more below the rate of inflation and not excessive.

"In general it would appear that, although the present upswing has in recent months shown clear signs of acceleration, it has not yet gathered adequate momentum.

"The rate of real economic growth, although rising, is still below that of which the South African Economy is capable under present circumstances."

There had been exceptional expansion in activity in the financial sphere of the economy, but real economic activity had not yet increased to its full potential.

The surplus on current account was equivalent to 6,5% of the Gross Domestic Product. A reason for this was the remarkable performance of gold which had earned R6 000-million in 1979, a 55% increase in the value of net gold output. This reflected the 1979 increase in the average London gold price fixings from R193oz to R307oz.

Although the broad money supply had shown an actual decline during the first half of 1979, it had increased at an annual rate of 30% during the latter half of the year.

"This was clearly excessive and in conflict with our overall financial policy."

"But this excessive increase was largely a temporary aberration and not an indication of a longer term trend."

It partly reflected redemption of Government loans and the early repayments of loan levies which resulted in a sharp decline in Government sector deposits with the banking sector.

"The more important point is that the excessive rate in money supply during the second part of the year has not brought about any undue increase in either investment or consumption."

This was not difficult to understand. Most of the excess liquidity had not found its way into the pockets of salary and wage earners in general and had thus far remained concentrated in the hands of the mining houses and other large exporters.

It had remained in what was called a "liquidity trap" and had not yet been spent on either domestically produced or imported goods and services.

The increase in the money supply required further attention.

The downward adjustments of the bank rate following the further easing of the money market had left an abnormally wide gap of more than 5% between the prime overdraft rate and the Treasury Bill rate and related money market rates. This had brought an upsurge in borrowing and lending outside the banking system which, if left unchecked, could not only make monetary statistics less meaningful, but also banking practices unsound.

"We therefore find ourselves with a liquidity 'overhang' and an interest rate dilemma." On the one hand local interest rates were abnormally low compared to those in the United States and Britain, resulting in the large net outflow of short term capital.

"At the same time within our own interest rate structure, the rates on money market paper are abnormally low in relation to bank and prime overdraft rates, resulting in substantial 'non-bank intermediation', borrowing and lending outside the banking system.

"The main reasons for this abnormal state of affairs can be found in the unusual combination in South Africa at present of a large current account surplus, exchange control on capital movements, and a still sluggish demand for loanable funds in general," Sen Horwood said. — Sapa.

BUSINESS MAIL

Gold's monetary role entrenched — Anglo chairmen

79

NDM 29/3/80

Mining Editor

GOLD'S monetary role in the world economy has been further entrenched in the past year and even if the political situation in the Middle East is resolved, the gold price is not expected to fall to last year's average level, say the chairmen of Anglo American's Transvaal gold mines in their reports for the year to last December.

They say that in the past year, asset protection was the major factor in the rising price of precious metals rather than the weakness of the dollar, as was the case previously.

In addition, American legislation recognised gold's importance in investment portfolios by permitting pension and insurance funds to invest part of their assets in precious metals.

However, the high price of gold — between $600 and $700 when the reports were written — has depressed the jewellery trade because of consumer resistance and the high cost of financing working stocks.

But because of Intergold's activity, the drop in demand is not expected to be as sharp as that which followed the rapid gold-price increase in 1974.

Krugerrand sales are also being affected, and small R1 and R2 coins are being marketed on a trial basis.

The chairmen say that in spite of the drop in offtake in fabrication demand, sales of newly mined gold were sustained by strong investor demand.

Referring to the American Treasury sales policy, the chairmen say that unless there is a significant weakening of the dollar in exchange markets, or the US balance of payments worsens, no further sales will take place.

The International Monetary Fund sales programme will end in May, but it is not known what policy will be adopted with regard to the remaining holdings of 3 200 tons.

Uranium prices showed a further decline in real terms during the past year and there was a marked drop in spot market activity towards the end of the year.

The current surplus is aggravated by some American utilities which decided to reduce their inventories, either because their view of the free supply position resulted in a change in inventory policy or because high interest rates have made the realisation of stock financially attractive.

The sale of this material in Europe at relatively low prices reduced the opportunity for spot sales for Western Deep Levels and Vaal Reefs and present indications are that neither mine will be able to sell its entire production this year.

It is predicted that the over-supply situation, expected to last until the mid-1980s, is likely to result in a continuing drop in prices in real terms. This will cause a delay in the commissioning of some uranium-mining projects currently under consideration in other Western countries.

"Nevertheless, our view remains unchanged that uranium and coal offer the only long-term economic solution to the shortfall in the world's energy supply. At this stage, however, because of public resistance to nuclear power, there is a definite trend towards planning for coal-fired generating capacity at the expense of possible nuclear power plants."

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 3

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				FRENCH INTENSIVE	F		1	154026V
				FRENCH I	UP	(55)	1	154362K
				POLITICAL SCIENCE I	UP	(55)	1	153981W
				ENGLISH I (PRE-1980)	3NX		1	155173R
				FRENCH I	UP	(55)	1	159186D
				PSYCHOLOGY I	UP	(60)	1	158211U
				ECONOMIC HISTORY I	ABS		7	153855J
				ECONOMICS IA	UP	(50)	1	162285X
				ENGLISH I (PRE-1980)	3NX		1	161662V
				RELIGIOUS STUDIES I [illegible]	F UP	(49) (50)	1	162109F
				PSYCHOLOGY I ENGLISH I (PRE-1980)	2- 3NX	(65)	1	155641A
				MATHEMATICS I M102	ABS		1	115954M
				AFRIKAANS AFRICAN STUDIES I	UP UP	(50) (65)	1	159604H
				POLITICAL SCIENCE I	F	(48)	1	161491J
				FRENCH I	F	(37)	7	152126E
				FRENCH I	ABS		1	155720L
				DRAMA I	ABS		7	152039J
				PSYCHOLOGY I ENGLISH I (PRE-1980) FRENCH I	3 3 3	(57) (59) (56)	1	155148P

GOLD MARKETING

79

Only a ripple

FM 28/3/80

The SA Reserve Bank's recent (March 19) confirmation of a more flexible gold sales policy — previously sketched by Finance Minister Owen Horwood — has caused scarcely a ripple in world bullion markets.

A round-up of overseas and local opinion discloses that the initial excitement generated in SA by the announcement was simply not warranted.

So, for example, Thomas W Wolfe, former director of the US Treasury's office of gold and silver operations and now a private consultant, tells the *FM* : "SA always had flexibility. Horwood has s not that he will cut sales, but that might. The market should always ke this possibility in mind. SA's very str balance of payments enables it to ke gold in its central bank rather than pu onto the market."

But Wolfe notes that there are t possible implications of the announ ment: it is potentially bullish in that could mean a reduction in supply, whil is simultaneously bearish because it e dences a concern about demand. (Wolf inference is bolstered by the timing of announcement relative to the recent cline in gold price.)

Wolfe qualifies his opinion by draw attention to SA's tradition of passing current output through to the market.

James Sinclair, of Sinclair Comm ities, New York, considers the effect the announcement "neutral," noting t "the South Africans have always acted gentlemen in financial markets."

Zurich bankers and London bullion de ers are, if anything, more sceptical ab the possible impact of any likely chang marketing emphasis. They doubt whet SA could withhold significant quantitie gold for any length of time. If, for exa ple, SA withheld one month's output, t argue, it would have to be sold later, a time when the market might in fact weaker. So, large retentions might in f make the market more volatile.

A local market commentator expres the same thought by saying that a w holding of gold would simply reflect transfer of the marketing risk from present to the future.

London bankers cynically describe move as "a switch from holding back g for two or three days to holding it back four or five." They frankly disbelieve th SA will in fact do anything radical. A they argue that there are more co straints on SA's gold sales policy than a readily apparent

Assume, they say, that the mines co tinue to be paid for their gold at t average of the two London fixes precedi the time of delivery to the Reserve Ba and that it withholds a large proporti The immediate effect on price would severe, as the US Treasury is out of t market and unlikely to return, as are t Soviets, and IMF sales are to end in Ma

So, the mines might, during a period reduced SA sales, be paid at an artificia high price, which would also reflect a co price to the Reserve Bank. However, the Reserve Bank was forced in a subs quent lean period to sell the accumulat gold on top of current output, the pri would then be artificially depressed. the circumstances, too, the Reserve Ba itself would suffer a severe loss

London does recognise that SA is "su fering" at present from problems caus by an unprecedented superfluity of forei exchange, but does not see a clamp on gold sales as an easy way out, for the reasons already given

Moreover, if the mines continue to be paid at current gold prices for current output, the effect on the internal money supply could be exactly the same as it would have been if the Reserve Bank had resold the gold abroad. That is, unless the mines were not paid, or paid at a much lower rate, for the portion of output withheld.

An important pointer to current Chamber of Mines thinking is to be found in this week's statement by its chief economist, Mike Brown. He expressed great apprehension about the effect on jewellery demand of the recent bout of very high prices, and said that the diversion of supply from fabricators to speculators and investors was a highly destabilising factor. Producers would, in the circumstances, "welcome a consolidatory phase to ease pressures on the jewellery industry, traditionally the largest single customer for physical gold."

The last remark, if decoded, suggests that the Chamber would regard it as unwise marketing policy to attempt to hold the gold price above a level at which the jewellery manufacturers could afford to return as purchasers on a large scale.

Brown's comment appears, on any reasonable reading, to confirm the overseas view that Horwood's recent announcement is only of limited, tactical significance.

FM 11/4/80

fox

GOLD QUARTERLIES

Taking the long view

Perhaps more than anything else, gold's peregrinations this year have been exaggerated by the short-term trading of US futures operators. The squeeze on short positions as the old year ended put an after-burner under the zoom to a record $850 on January 21. While the squeeze on long positions, helped by the collapse of the Hunts' attempted silver corner, accelerated the subsequent crash to a one-time low of $460 during the latter part of March.

The lessons learned during the past four months should, many believe, have led to less volatility in futures markets. But futures traders have short memories and with the boot now on the other foot, the long positions are feeling the pinch.

There are other factors of course. Iran has taken a turn for the worse. The Ayatollah, in refusing to take the hostages into government custody has admitted his powerlessness to control radical groups within his country. And President Carter's threat of total sanctions against Iran and seizure of Iranian assets in the US has almost certainly further weakened moderate factions in Iran.

What it means is increased nervousness and a move back into the anonymity of gold by Middle Eastern investors.

At least for a short while during the past few weeks it seemed that markets were starting to believe the latest round of US anti-inflation measures would work. That was reflected in the dollar's relative strength against other major currencies. But it was, to an extent, a misleading strength. Interest rates are rising fast outside the US, as central banks seek to support their own national currencies, while it is clear that the US has to introduce more substantive measures to control domestic inflation.

With Ronald Reagan breathing down his neck in the run-up to November's presidential election. President Carter is finding it increasingly difficult to generate the true credit crunch needed to cool the US' over-heated economy. And that despite prime rates of 20% and more, which are threatening the existence of many US corporations.

So, at least temporarily, US futures markets have taken the view that gold's reaction has been overdone. The hair-trigger reaction to price strengthening since the Easter break has resulted in the rapid closure of potentially loss-making short positions. That is prompting physical buyers to buy now before prices move higher, which in its turn is leading to a re-opening of long positions. As usual, the movement is self-feeding.

This time around, however, movements may not be as exaggerated as they were three months ago. Current US interest rates mean that maintaining futures positions is expensive, with less people prepared to take a speculative risk in addition to losing the opportunity cost of money.

On that basis, unless there is a violent political upheaval in one of the world's sensitive trouble spots, gold may well remain in the mid-$500s for the next few months. And that will mean lower gold mine earnings than in the March quarter when the London afternoon fix averaged $632. In the December quarter mine receipts averaged $307.

Weighing the chances of a bullion advance

If you accept that view, gold shares should be a quiet market for the next few months, with sound buying opportunities on bullion set-backs. And as March quarter earnings from the GFSA mines show, near-term dividend potential is better than good.

Deelkraal: The mine's preliminary 3,4g/t recovery grade is hardly likely to set the market alight. And it adds fuel to the arguments of analysts who fear the mine is unlikely to meet earlier expectations. Development sampling has yet to disclose anything but marginal ore grades, though it should be borne in mind that the shaft was purposefully sunk in a low-grade area. Drilling indicated VCR reserves of 45 Mt which were expected to yield an average recovery of 10,4g/t. What shareholders now want is an early indication that the mine will live up to its promise.

That will have to wait until mining reaches the deeper, lower-grade areas of the mine. So for the next few quarters recovery grades could well remain uninspiring. If investors lose interest in line with low recovery grades, the shares could present some good near-term buying opportunities especially during periods of gold price weakness. But until recoveries start improving, the share remains relatively speculative.

Libanon: Capex should increase fairly significantly in the near future, with total spending of some R200m likely over the next five years. That is equivalent to some eighteen months' pre-tax earnings at the March quarter's rate. So if gold stagnates, the impact on distributions is obvious.

On the other hand, operations at Libanon are reasonably flexible, recovery grades can be adjusted fairly easily and costs are well under control. But if gold holds steady, recovery grade could fall to around 6g/t over the next year.

With relatively high capex in prospect and lower grades, earnings will be increasingly sensitive to gold price movements. R19,4m (244,4c a share) has been retained from the first three quarters' operations. And though management will be cautious on distributions ahead of the coming capex upsurge, a final of over 100c should be possible after the 50c interim.

Venterspost: Management now appears to be sufficiently confident of the gold price to contemplate sinking an additional shaft to serve the southern part of the mine. Cost is likely to be in the region of R50m, and on completion, the shaft should lead to better and more flexible working conditions.

Meantime, however, unit costs will remain relatively high — they rose 5,5% to R34,53/t in the March quarter — as operations are re-established in old and previously un-pay working areas. While gold maintains its current levels, an extension of operations into the Middelvlei area is not out of court. But it is fairly clear that any shaft sinking needed for such a move will be deferred until completion of the southern developments. Nor, with previously un-pay ore within the lease area now economically viable, is there necessarily any hurry to extend operations into Middelvlei.

Depending on how much management feels will need to be retained for the upcoming shaft sinking, a final of up to 200c could be in prospect following the 65c

KDM 15/4/84

Keep gold 'in short supply' says SAP

THE ASSEMBLY. — South Africa, as the world's major gold producer, should keep the free market in as short supply as possible, Mr Theo Aronson (SAP Walmer) said in the House yesterday.

The country should only sell its gold when the price suited it, he said in the Budget debate.

The SAP welcomed reports that South Africa was going to market its gold at its own convenience.

If the Government needed liquidity it could pledge some of its gold as collateral for medium-term loans.

It could also allow consortiums to buy gold on a formula basis, provided the Government retained an option to buy back the gold over longer or shorter periods.

The SAP welcomed the Budget which was the best since 1948.

"This Budget in many respects is laying the foundation for improving the quality of life of all South Africans."

The Minister of Finance, Senator Owen Horwood, had shown since 1976 that he knew where he was going and how he intended getting there.

"We are fortunate in having a man of his calibre in the driver's seat."

The SAP largely supported the Budget, but there were a number of matters for concern, he said, such as inflation and the need for further subsidies on essential foodstuffs.

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that of Dr Piet Koornhof, Minister of Co-operation and Development, was the direction the Government was taking.

"Nobody knows where we are going, so all — both left and right — are dissatisfied."

Mr Schwarz asked if economic changes had really affected the daily lives of blacks, and said a dramatic gesture should be made to make the black man see in his daily life that reform had come.

The tangible results of reform also had to be seen as the result of negotiation, not of pressure. Moderate leaders had to be able to deliver the fruits of change if they were to have the support of their people.

The Government had accepted that people of all races would have to work together on factory and shop floors to create the goods and provide the services the country needed, and the common economic system had political and social implications.

Working together created contacts and associations in which people would realise they had common economic aspirations. This would have to be appreciated and some form of political accommodation found, Mr Schwarz said. — Sapa.

Business Mercury

16/4/80

Record profit for group

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JOHANNESBURG—Higher gold prices received offset such factors as generally lower tonnages and grades and consequently there were record after-tax profits at all Anglovaal's gold mines in the March quarter.

Hartbeestfontein's figure was more than R15m higher at a record R45,8m, ETC's figure was at a new high of R3,3m (December quarter: R1,9m) and Loraine's rose by R1m to a record R6,9m (no tax).

Ore milled at Harties was fractionally lower, while ETC's figure was 5 300 tons lower.

The improved tonnage milled was responsible for decreased unit costs at Loraine, but these were higher at ETC because of the decreased mill throughput and at Harties because of several factors, including an excess of labour

Nevertheless, working profit from gold rose by R2,7m at ETC, R46,9m at Harties and by almost R4,2m at Loraine.

Sundry items

After accounting for other sundry items and taxation, which was sharply higher for ETC and Harties, all mines reflected record profits.

The mill throughput of the copper-zinc producer, Prieska, was adversely affected by the breakdown of a rod mill motor, but total despatches were some 7 000 tons higher.

Working profit from gold rose by R2,7m at ETC, R46,9m at Harties and by almost R4,2m at Loraine. After accounting for other sundry items and taxation, which was sharply higher for ETC and Harties, all mines reflected record profits. - (Sapa)

Record after-tax profits all round at Anglovaal

gold mining quarterlies

JOHANNESBURG. — Higher gold prices offset such factors as generally lower tonnages and grades, and consequently there were record after-tax profits at all Anglovaal's gold mines in the March quarter.

Hartbeestfontein's figure was more than R15m higher at a record R45 840 000, ETC's figure was at a new high of R3 301 000 (December quarter: R1 969 000) and Loraine's rose by R1m to a record R6 950 000 (no tax).

Ore milled at Harties was fractionally lower, while ETC's figure was 5 300 tons lower following a decrease in the tonnage drawn from the slimes dam.

Although Loraine's tonnage rose by a further 30 000 tons, a fire in the No 3 shaft area decreased the amount milled from underground. This was made up by low-grade material drawn from a surface dump and led to a fall in average grade. ETC's average value was fractionally lower, while Harties' grade was unchanged.

The improved tonnage milled was responsible for decreased unit costs at Loraine, but these were higher at ETC because of the decreased mill throughout and at Harties because of several factors, including an excess of labour.

Nevertheless, working profit from gold rose by R2,7m at ETC, R46,9m at Harties and by almost R4,2m at Loraine. After accounting for other sundry items and taxation, which was sharply higher for ETC and Harties, all mines reflected record profits.

The mill throughput of the copper/zinc producer, Prieska, was adversely affected by the breakdown of a rod mill motor, but total despatches were some 7 000 tons higher.

This, combined with the receipt of agterskots on earlier shipments and higher gold and silver prices, led to a R5m jump in operating profit, while net profit was a similar amount higher at R8 046 000.

Although Consolidated Murchison, the antimony producer, reported a decreased tonnage milled, production was little changed.

However, sales — which vary quarterly — were almost 1 000 tons down and consequently revenue from this source was R923 000 below the December quarter's figure.

Costs were some R170 000 higher because of the lower mill throughput and, combined with lower sales revenue, brought about a decreased after-tax profit.

In terms of the recent budget proposals, the mines are no longer providing for state loan levies.

Other points from the quarterlies include:

Hartbeesfontein:

Mill throughput was little changed at 717 000 (718 000) tons, grade was an unchanged 11,2 g/t and unit revenue rose to R194,22 (R126,39) a ton as a result of the sharply higher gold prices received.

This more than offset costs that rose to R44,73 (R42,69) a ton because of various factors and the net result was a working profit from gold that rose to R107 181 000 (R60 310 000).

Uranium-oxide production was little changed, although profit from sales of this material, pyrite and sulphuric acid decreased to R3 389 000 (R10 138 000) because uranium sales are not made on a regular basis.

After adding non-mining income and deducting interest paid, there was a pre-tax profit of R115 751 000 (R73 402 000). Taxation and State's share of profit absorbed no less than R69 911 000 (R42 653 000) leaving the final profit at a record R45 840 000 (R30 749 000).

Capital expenditure was R4 691 000 (R4 829 000).

Development values for both gold and uranium-oxide were lower at 1 598 (1 716) cm g/t and 23,08 (23,66) cm kg/t respectively.

ETC

A decrease in the tonnage drawn from the slimes dam for retreatment caused the total tonnage to fall by 5 300 tons to 8 800 tons, while the yield also decreased fractionally to 6,2 (6,3) g/t.

Although costs were R2,03 a ton higher at R26,57 a ton because of the lower mill throughput, this — and the lower grade — was more than offset by the higher gold prices: with unit revenue rising to R109,96 (R72,68) a ton there was a profit of R83,39 (R48,14) a ton resulting in a working profit of R6 988 000 (R4 289 000).

After adding non-mining income and deducting prospecting costs and taxation — the latter was R1 449 000 up at R3 737 000 — there was a record after-tax profit of R3 301 000 (R1 969 000).

Loraine:

The programme to use the plant's full capacity by treating surface dumps, in addition to ore from underground, has now been implemented. In fact, additional ore was drawn from the dumps when underground operations were affected by a fire in the No 3-shaft area, for which an insurance claim has been lodged.

The net result was that mill throughput was increased by 30 000 to 413 000 tons, but the grade dropped to 3,1 (3/6) g/t.

The increased tonnage caused unit costs to decline to R34,79 (R36,01) a ton and, combined with higher gold prices received, this led to a profit of R16,53 (R6,92) a ton.

Working profit from gold was therefore R4 174 000 higher at a new high of R6 824 000. After adding other non-mining income of R143 000 (R128 000) and deducting a R17 000 loss (R15 000 profit) on uranium and pyrite sales, the profit rose to a record R6 950 000 (R2 793 000).

Average development results were down because of poorer values from the "B" reef, which is very variable Overall, 452 m (308) were sampled yielding 8,2 (14,0) g/t which, over an average channel width of 44 cm (36 cm), was equivalent to 356 (505) cm g/t.

Outstanding capital commitments on March 31 totalled R10 867 000 (R865 000), the increase being brought about by two-year contracts placed for sinking and equipping the Number 1 (B) shaft system. This will enable the Northern Elsburg Reefs to be mined.

Prieska

The failure of a rod mill motor caused a decrease in ore milled at 709 000 (781 000) tons and a consequent decrease in production at 25 469 (27 932) tons of copper concentrates and 25 627 (30 090) tons of zinc concentrates. However, copper despatches increased to 30 450 (20 265) tons, while zinc despatches were slightly lower at 27 021 (29 868) tons.

These sales — combined with the receipt of agterskots on earlier shipments and higher prices received for gold and silver sales — led to a sharply higher operating profit at R8 126 000 (R3 259 000).

Non-mining income and interest paid were both lower resulting in a profit of R8 046 000, compared with the December quarter's figure of R3 207 000.

Consolidated Murchison

Ore milled totalled 133 800 (139 800) tons and yielded 5 356 (5 545) tons of antimony concentrates and cobbed ore. Sales of concentrates and cobs, which vary quarterly, decreased to 4 748 (5 698) tons.

This led to revenue of R4 467 000 (R5 390 000), but working costs were also higher at R3 922 000 (R3 750 000). Improved gold prices caused income from this source to rise by R89 000 to R1 246 000.

Sundry revenue totalled R30 000 (R100 000), while prospecting and sundry costs rose to R46 000 (R9 000). With taxation at R328 000 (R511 000), the after-tax profit was R1 447 000 (R2 377 000). Capital expenditure was R950 000 (R1 519 000) for the quarter. — Sapa

Randfontein shines with 57% profit rise

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By PAUL DOLD
Financial Editor

CT. 16/4/80

RECORD profits and soaring tax are the hallmarks of the latest batch of gold mine quarterly reports. While all the houses show that profits from gold soared as the gold price received was doubled with heavyweight Randfontein outstanding with a 57 percent earnings leap there was a particularly heavy tax bite in the quarter.

Randfontein's tax rose more than fourfold, nearly doubled at Harmony and Blyvors, more than doubled at ETC and soared at Durban Deep. Of course, as capex increases during the year so the tax position will even out but the figures do underscore that the Budget could have been more generous to the gold mines who received only the standard loan levy tax cut for companies.

ERPM was a strong performer with pre-tax profits rocketting fourfold to R29m and taxed profit was more than doubled.

Costs were higher with Rand Mines reporting close to a six percent advance in the quarter. Randfontein's pre-tax profit for the quarter ended March stood at R59 728 000, a 57 percent increase over December's R37 702 000, but taxation and state's share of profits more than quadrupled — from R7 182 000 to R31 195 000.

In the case of Western Areas it zoomed from a lowly R1 052 000 to R24 029 000 — up nearly 23 times. In both cases this left the two companies with decreased net profits.

The reason for the high tax rate was the relatively small capital expenditure during the quarter under review and Mr V Blane, gold manager of JCI, said at a press briefing that the tax figures would probably be adjusted downwards when the final annual tax payments were made in August.

gold mining quarterlies

The following are summarized results of the two mines, with Mr Blane's comments, where applicable.

Randfontein Estates: Tons milled 986 000 (1 036 000), yield 5,3 g/t (5,5), costs per ton milled R32,76 (R30,29), cost per ounce $236,1 ($206,3), revenue per ounce $630,0 ($415,5), net profit R28 533 000 (R30 780 000).

Tonnage milled was down and Mr Blane said he expected production to stabilize around the 1m-ton mark. Grade was also down, due to the higher gold price received and working costs were up by 8,2 percent. This "frightening" increase was due partly to the drop in tonnage and partly due to some increases already in the pipeline, such as labour, stores and power.

The uranium yield was up (from 0,149 kg per ton to 0,157 kg) and he said he expected the uranium profit to more or less double during the present quarter.

Capital expenditure for the current year was estimated at R46-million whereas only some R6-million had been expended in the March quarter. The report adds "consequently the rate of expenditure during the remainder of the year will be considerably higher and this should result in a significant reduction in the rate of taxation.

Western Areas: Tons milled 1 054 000 (1 085 000), yield 4,7 g/t (5,1), cost per ton milled R32,47 (R29,05), cost per ounce $263,8 ($213,9), revenue per ounce $630,6 ($440,2), net profit R24 935 000 (R34 216 000). As in the case of Randfontein, the price received for gold had jumped considerably (43 percent for Western Areas and 51,6 percent for Randfontein).

Tonnage milled was marginally down due to the high seasonal turnover of labour, not a shortage. Grade had dropped significantly and would continue to go down but tonnage milled should increase to around the 1 085 000-ton mark.

Again, working costs were up to an extent which Mr Blane called "horrific" and whereas capital expenditure for the year is estimated at R50-million, only about R4-million and had been spent during the past quarter.

During the quarter, a long-term contract for the sale of the company's future production of uranium oxide concentrates had been entered into on the company's behalf. The purchaser (who cannot be named) had undertaken to help to finance the construction of recovery plant facilities and the development of underground reserves by means of an interest-free loan of R30-million, the first R10-million of which was received on February 1 this year. The balance of the loan will be paid in equal instalments on July 1 this year and January 1 next.

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RDM 22/4/80

Liquidity out of control — Horwood

Gold — the refuge amid the turmoil

GOLD had clearly won its "battle" against the paper currencies, and the metal's interrelationship with monetary reform and inflation was clearer now than it had ever been, says Finance Minister Senator Owen Horwood.

Addressing the conference of the American National Committee for Monetary Reform in Johannesburg, Sen Horwood said the time had come to air the whole issue of making the best possible use of gold as an official reserve asset and an international means of payment.

Noting that world liquidity was now "out of control", Sen Horwood said that, as so often before, businessmen, financiers and the general public had once again reacted to inflation and currency turmoil by turning to gold as a proven store of value.

"No wonder then that gold has outperformed not only the weakest, but also the strongest currencies during the past year," Sen Horwood said.

He said the present international monetary system was a kind of inconvertible multi-component reserve currency system dominated by the United States dollar and characterised by managed floating for the main currencies or currency blocs, and by pegging arrangements for the currencies of the less developed currencies.

"Gold is no longer the legal unit of account or the numeraire of the system and has more or less been written out of the articles of agreement of the International Monetary Fund.

"No currency is convertible into gold or into any other commodity or basket of commodities, and the value of the IMF's Special Drawing Right is tied to a weighted basket of currencies."

The attempts made in the early 1970s to control international liquidity by issuing SDRs were quite ludicrous, the Minister said.

"No wonder financial markets and the general public have lost confidence in the ability of the world's monetary authorities to solve international economic problems!"

He said the judicious use of gold in an agreed and well-defined monetary role could now do much to improve the working of the international monetary system.

A bigger role for gold could also assist the efforts of monetary authorities to curb inflation, restore better balance of payments equilibrium and promote economic growth.

"To react to these facts of monetary life by persisting stubbornly with attempts to demonetise gold does not make good sense. The realistic and wise course would be to accept the verdict of the market and turn it to advantage."

Sen Horwood emphasised that his calls for the return of gold as the world's principal reserve asset was not being made on behalf of the gold producers.

"I am not saying: let us reconsider the monetary role of gold so that the South African gold mines can get a decent price for their product. They have been getting very decent prices, and I have been getting some very decent tax revenues from them!

"That is not the point. What is at stake is the extent to which the international economic situation could be agreed by new, internationally agreed steps on the gold front."

For the first time since the announcement of a more "flexible" gold marketing policy, the Minister confirmed that "a certain proportion" of South Africa's current gold output had been "held back" in recent weeks, but did not elaborate further.

He said the move was not designed to enable South Africa to exercise control over international gold prices, as the supply of gold on world markets was not limited to current production.

"It seems to us to make good marketing sense to withhold some gold when the price is strong. Far from having a disruptive effect on world bullion markets, our new marketing policy should exert a certain stabilising influence on the gold price," Sen Horwood said.

Our policies have paid off — Brand

RDM 22/4/80.

SOUND economic and financial policies had played an important role in the progress towards South Africa's present strong economic position, while the exceptionally strong performance of the gold price had only enhanced this positive outlook, Dr Simon Brand told the conference.

Dr Brand, economic adviser to the Prime Minister, said forecasts made before the last surge in the gold price at the end of last year still predicted a 4,5% growth rate in real gross domestic product in 1980.

He told delegates that the credit for South Africa's strong economic outlook should not, therefore, be given solely to the "windfalls" of the high gold price from 1978 and the increase in non-gold exports in 1976 and 1977.

"It is generally recognised that the ability of the South African economy to capitalise on those external factors which favoured it in recent years was also strengthened very considerably by the economic policies which were followed from 1975 onward," Dr Brand said.

These policies were aimed at first, he said, at correcting the serious imbalance which had developed in the preceding years between aggregate supply and demand in the economy, and from the second half of 1977 increasingly at encouraging growth in the private sector

"The policy of fiscal and monetary discipline, coupled with reforms in the tax structure, in the exchange rate regime, in arrangements governing the utilisation of manpower, and in a number of other areas, was not only a necessary condition for achieving an improved economic performance, but contributed positively towards that objective," Dr Brand said.

The strategy for achieving a relatively high economic growth rate over a number of years could be mapped out by basing policies on the three different scenarios of the 1978-87 economic development programme.

"The essential ingredients of such a strategy must be a reduction in the share of the country's resources claimed by the Government sector, a flexible exchange rate, and the active promotion of exports," Dr Brand said.

He said strict discipline in Government spending was also necessary, combined with a reduction in the tax burden and an increase in the money supply adequate to finance projected growth but not so large as to generate inflationary demand by creating excess liquidity.

SIMON WILLSON reports from the monetary reform conference

Bullion set for $100 move

ADM 22/4/80

BY NEXT Friday the gold price will have started a move that will result in a $100 difference in the bullion price within a few more weeks, delegates to the conference were told.

Mr Tony Henfrey, an industrial analyst who edits Gold Letter, the weekly bullion newsletter for gold investors, said he believed there was a dominant, 36-week cycle recurring in the world bullion market.

"We are in week 36 of that cycle right now, and gold is soon going to react to that cyclical pressure. We're on a knife-edge, and waiting for gold to break," Mr Henfrey said.

"By April 29 gold will have begun its $100 move, and if it drops below $490 we'll see it down to $410 before you can say 'Jack Robinson'," he said.

He based his firm prediction on a series of charts recording the movement of the United States' key indices in the second half of the 1970s.

"At the end of 1974 the gold price peaked out just as US inflation peaked and the dollar hit bottom. The same happened in mid-1976.

"There is now a peak in gold and a major bottoming out of the dollar. US inflation and gold move in tandem while the dollar is directly contracyclical."

Backed up by his charts, Mr Henfrey said the gold price and US interest rates also tended to move together.

"It's clear to me that the dollar will hold up over the next six months, and its gain against other currencies could be as much as 20%. This means gold, US inflation and interest rates are all likely to go down."

C = Consumption;
G_1 = Dispersal

Factors.
* Consumer(s)
* Savings
* Expenditure
* Levels of income
Demand for income by expectations

IMF to back gold-linked 'substitution'

STAR 22/4/80

(79)

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By John Cavill, Financial Correspondent

LONDON — The all-powerful Interim Committee of the International Monetary Fund is expected to give the go-ahead to a gold-linked "substitution account" when it meets in Hamburg on Friday.

According to Mr Filippo Pandolfi, Italy's Finance Minister and current chairman of the interim committee, the IMF's ruling body, the United States, Japan, West Germany, France, Britain and Italy "support suggestions that some of the fund's gold reserves be used to cover substitution account exchange losses."

500 DOLLARS

But it is far from clear how the substitution account — where central banks can swop dollars for special drawing rights without destabilising foreign exchange markets — will affect the IMF's policy on gold sales.

The last IMF gold auction will be held on May 7. Assuming a final auction price of 500 dollars the four sales programme, during which 25-million ounces of IMF gold was sold, will have realised 4 600-million dollars for the special trust fund set up to aid developing nations.

The IMF will be left with about 105m ounces of gold.

It is now planned that the IMF's reserves will be used to help cushion the value of SDR's issued by the substitution account in the event of a sharp decline by one of the currencies making up the SDR "basket" — in practice the dollar.

LAST RESORT

Mr Pandolfi's globe-trotting of the last two months — which has taken him from South America to the Arab oil states — appears to have won broad agreement.

It was admitted by Mr Anthony Solomon, Under Secretary to the United States Treasury, that there was "increasing consensus" about the use of gold in the substitution account.

But Mr Solomon suggested that gold would not be given "any value" for this purpose. It would simply be there.

Mr Pandolfi has, so far, been guarded about exactly how gold would be used in the account.

Actual sales of gold to make up exchange losses, he said, would be a "last resort ... Assuming other ways of avoiding losses were not available."

And denying that gold was slipping back into the international monetary system, Mr Pandolfi declared the IMF's bullion reserves had "a transitory function of establishing guarantees for other assets and for stabilising the dollar."

It is this function of gold in the substitution account which is likely to produce haggling by the less developed countries (LDCs) in the IMF.

They are expected to argue that the substitution account will chiefly benefit the rich surplus countries (specially the Opec bloc) which are large holders of dollars.

The LDCs may well extract an undertaking that at least part of the IMF's gold hoard — worth 53 000-million dollars, against a proposed initial substitution account of 20 000-million dollars — be used to help them fund their enormous deficits, through subsidised interest rates on soft loans.

79

BD 22/4/80

23 golds lower and five higher

DIAGONAL STREET

JOHANNESBURG — Gold shares closed easier yesterday in sympathy with the lower bullion price, although select counters rose against the trend, dealers said.

Towards the close, 23 gold counters were lower and five higher with heavyweights showing losses of between 75c and 25c.

Pres Brand fell 75c to 3 825, Freguls 25c to 5 600, Sovaal 50c to 2 225, and Libanon 50c to 2 100 while Vaal Reefs rose 50c to 5 750.

Mining Financials mirrored producers. Anglos fell 25c to 1 300, Genmin 50c to 1 625 and De Beers 20c to 910.

Platinums were mixed and coppers and collieries quiet. Rusplats rose 5c to 510 and Lydplats fell 5c to 295.

Industrials tended easier in fairly active trading with 53 lower and 30 higher towards the close.

SA Brews fell 4c to 313, Pick 'n Pay 100c to 3 900, Lonrho 5c to 215 and CG Smith 35c to 1 080 while Greatemn rose 5c to 960, Barlows 3c to 920, AECI 5c to 700 and Sentrachem 5c to 770.

In London, government bonds moved higher while gold shares and other equities were mixed, dealers said.

In equities, Lasmo and Ultramar both rose 18p, but BP and Shell lost 6p and 4p respectively. Barclays and Natwest gained 3p apiece while Metal Box, Fisons and GKN all put on 2p. Bowater, Racal and GEC saw falls of 3p while Tube Investments shed 2p.

In Salisbury, the market opened quietly after the independence holiday.

Industrials edged upwards with a few stocks — such as Delta at 575 middle — marked higher without any trade. Hippo Valley continued firm with sales at 125 as did TA Holdings at 180.

In externals, Porthold was better at 80 but Rhocorp shed a couple of cents to 90. The industrial index rose 1,60 to 387,57.

Minings were affected by Mangula and Wankie being quoted ex dividend which resulted in the index recording a drop of 6,48 points to 255,68. Mangula was marked down to 315 middle and Wankie was dealt in at 138. Empress gained 5c to 305. — SAPA-RNS.

Horwood: Open the gold window

79 CT 23/4/80

HOUSE OF ASSEMBLY. — Gold should once again be given a positive role as a means of payment in the world monetary system, the Minister of Finance, Senator Owen Horwood, said here yesterday.

Replying to the week-long Budget debate, he said consideration should again be given to allowing the United States dollar to be converted into gold. It was since the United States had closed the "gold window" that problems had started on the world monetary market.

"I would like once again to call for all interested parties in the world, and I believe there are many of them, to get together around a table to thrash out the present role of gold and the deficiencies which exist in the world monetary system.

"I believe that gold should once again be given a positive role as a means of payment.

"Unless we get together and sort out the position of gold, the world will for a long time continue to be faced with problems such as inflation."

In terms of the country's new and more flexible gold-marketing policy it made good sense to withhold some gold when the price was relatively weak and to sell more when the price was strong.

"Far from having a disruptive effect on world bullion markets, our new marketing policy should exert a certain stabilizing influence on the gold price."

In general, he said, 1980 was expected to be a good year for the South African economy. The real gross domestic product was expected to rise by more than five percent while the balance of payments on current account should show a substantial surplus for the fourth consecutive year.

"The economy is clearly moving in the right direction and what is required now is to ensure that this movement is sustained and gathers momentum.

"Our present fiscal and monetary policies are directed towards utilizing the increased scope for sound growth in South Africa to the full.

"But this emphasis on growth is accompanied by an equally strong emphasis on the maintenance of strict financial discipline."

No conflict

In his Budget speech he had pointed out that at present there was no conflict between more rapid growth and continued financial discipline.

Senator Horwood said that a point the critics had apparently overlooked was that the Budget did not attempt to stimulate the economy by either an increase in real government spending or the creation of additional money.

"The Budget provides for no increase in real government spending and for the destruction of as much money as might be necessary to ensure that the increase in the broadly defined money supply is held within the rate of inflation.

"Where the critics' went wrong was in concentrating too much attention on the tax and loan-levy concessions of R1 560 million.

"This is no way to analyse a budget. These concessions to a large extent represent adjustments needed to prevent the combination of inflation and a progressive tax system, the so-called fiscal drag, from increasing the real tax burden on the community and thereby actually retarding economic growth."

Referring to inflation, Senator Horwood said everyone would have to do their best to cope with it through a policy of restraint and he hoped the private sector would bear this in mind.

The new tax tables seemed to favour the unmarried taxpayer when compared with the new rate of taxation for married people. This was part of the government's tax-reform policy as the unmarried taxpayer had perhaps been too severely taxed in the past.

The second reading of the Appropriation Bill was passed after a division. — Sapa

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FINANCE

GOLD SPURTS AMID NEW UNCERTAINTIES

Argus 25/4/80

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Financial Editor

THE gold price, after hovering around 500 dollars an ounce for the past four weeks, has suddenly come to life, having risen 40 dollars in the past 36 hours.

Gold opened at 546,50 dollars in London today after closing at 525,50 dollars in London last night and at 506,50 dollars on Wednesday.

The cause of the spurt in the gold price is not clear, although there have been several developments which could account for it. These include:

- The failure of the attempt to free the American hostages in Iran.
- The Iranian threat to close the Persian Gulf to shipping should a naval blockage be mounted against it.
- The possibility that Saudi Arabia may curb its trade with Britain in retaliation for the showing of a 'fictional-documentary' film on British television. This would affect Britain's payments position.
- The possible lack of agreement among International Monetary Fund members at today's Hamburg talks on what to do with the IMF's remaining gold, leading to the matter being shelved and the ending for the time being of IMF gold sales.

COLD WATER

The Argus financial correspondent in Europe, John Cavill, reports from Hamburg today that West Germany has already poured cold water on hopes that the two-day meeting will produce quick progress towards the setting up of the proposed gold-linked substitution account.

On the eve of the talks, Mr Hans Matthofer, the German Finance Minister, said he neither expected that the account would be set up this year nor that any agreement in principle would be reached.

TWO YEARS

His disclosure followed biltateral discussions with Mr William Miller, the United States Treasury Secretary, in Hamburg.

It now appears that the substitution account — in which central banks could deposit surplus dollars without destablising foreign exchange rates — will not come into effect for another two years.

The urgency given to the establishing of the account at the Belgrade annual meeting of the IMF in October, has now evaporated with the strengthening of the dollar. With Germany and Japan offloading dollars to support their own currencies the foreign exchange crisis had abated.

- Gold price fixings in London yesterday:

	Dollars an ounce	Rands a kg
10.30 am	514,25	13 333,59
3.30 pm	515,70	13 371,19

Amgold sees relatively strong gold market

CT 25/4/80 79

By PAUL DOLD
Financial Editor

THE gold market this year should be relatively strong, Amgold's chairman, Mr Julian Ogilvie Thompson, says in his annual review.

There is no doubt that gold has been effectively remonetized and has emerged as the single most important element in international reserves. He forecasts that the advantages of gold as a politically neutral and secure asset will gain further ground.

Price prospects will hinge on the level of supplies, the price sensitivity of industrial demand and political and economic factors

"However gold has again established a monetary role and its position as a long-term store of wealth can rarely have been more widely recognized"

Mr Ogilvie Thompson makes the point that even at gold prices significantly below current levels ($532 at the time of writing) possibilities exist for mining ore bodies which were not previously viable.

Amgold's exploration increased considerably in the ·t year and it is to be ped up further this year.

Among the interesting details of the exploration programme is progress made on exploiting the Erfdeel -- Dankbaarheid block north of FS Saai Mining and engineering studies on the possible development of the low grade gold and uranium deposits are far advanced

Drilling was increased on areas under option south of the Free State gold fields and while results are encouraging further work is needed to assess the potential Prospecting elsewhere in the Free State also yielded some encouraging results.

Gold and uranium exploration north of Klerksdorp has given mixed results and work is continuing in the more promising areas

Further drilling for Elsburg Reefs in the block south of Western Areas has disclosed similar gold values to those obtained earlier Far more work will be needed to confirm gold grades on a number of reefs at great depths.

Transvaal

Turning to the Transvaal, he says prospecting has started on several areas including Barberton but it is too early to comment on the indications.

Several boreholes are being drilled south and south west of the Vaal Reefs mine boundary to confirm reserves of the Vaal and other Reefs.

No further drilling has been undertaken on the Dominion Reef west of Afrikander Lease.

Amgold is also participating with other mining houses in several "interesting" joint prospecting ventures

Uranium

Over-supply in the uranium market is likely to continue until the mid-1980's with a continuing drop in prices in real terms.

Prices continued to fall last year and of late there has been a marked drop in spot market sales

This flows from delays in the construction of new nuclear power plants through protracted licensing lead times and from a lower growth in world energy demand. In addition, sales from inventories at relatively low pices have hit the market.

"I believe that uranium and coal offer the only long-term economic solution to world energy requirements Coupled with this; the South African industry's impeccable delivery record contributes to confidence in its ability to secure business in the longer term"

Gold back into the cold

26/4/80 79 ~~ISL~~

Weekend Argus Correspondent

HAMBURG. — Gold has been put back into cold storage by the International Monetary Fund. The monthly sales of 444 000 ounces of IMF gold will end on May 7 and there are no plans for any new auctions.

This was the only firm decision to emerge from the meeting here of the IMF's ruling Interim Committee attended by Finance Ministers and central bankers representing the 140-member nations of the fund.

It was the decision by the IMF to auction 25 million ounces of its 150 million ounce gold reserves which hit the bullion price in 1976, driving it down to a low of 103 dollars an ounce.

The auctions have so far raised almost 5 000-million dollars (R4 200-million) for a special trust fund to provide cheap loans for underdeveloped countries suffering from balance of payments deficits.

Confidential briefing papers prepared by the IMF for Finance Ministers at the meeting confirmed that the fund was planning to revive the use of gold left in its coffers.

- 25-Million ounces was to buttress the planned 'substitution account' — in which central banks could deposit unwanted dollars in exchange for special drawing rights, the IMF's 'paper gold' made up of a basket of 16 currencies.
- Up to six-million ounces to provide further funds for the poorer countries.

But the plan was sunk, according to sources here, by the Group of 24, representing the developing nations, refusing to vote for the substitution account unless more gold was allocated for their aid needs.

Argus 28/4/80 (79)

Golds continue to fall

JOHANNESBURG. — Gold shares continued to fall towards noon as the international gold price eased to a 535,25 dollar fix in London.

Trading was nervous and fairly thin with profit-taking losing a large segment of Friday's very sharp gains.

Just before noon 32 gold shares were quoted lower and none higher.

Vaal Reefs and Pres Steyn fell 100c each to 5 950c and 4 015c respectively and Pres Brand 230c to 4 170c. After touching a mid-morning 4 150c low. Stilfontein eased 50c to 1 750c and Ergo 20c to 940c.

Mining financials and platinum issues eased narrowly in sympathy with the decline in gold producers.

JCI fell 50c to 5 850c and De Beers eased 15c to 945c. Platinum counters, Impala and Lydplats eased 10c to 635c and 5c to 300c respectively. Coppers and collieries held steady where traded.

Industrials reflected the overall market quietness as 27 issues dropped from Friday's closing levels around midday and 15 rose.

FINANCE

IMF LIKELY TO END GOLD SALES

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Argus Correspondent

HAMBURG. — The interim committee of the International Monetary Fund (IMF) ends its meeting here with finance ministers of leading world economies saying the much vaunted substitution account was not dead.

However, the IMF has decided not to sell more gold 'for the moment', the managing director Mr Jacques de Larosiere said.

But it was clear from comments by the finance ministers and the committee's final communique that any future activation of the 103-million ounces of gold held by the IMF will depend on the substitution account.

And in the words of the British delegation, progress towards the establishment of the account is likely to proceed at 'a glacial pace'.

The Americans, while paying lip service to the idea and the concurrent effort to make the special drawing right a viable medium of exchange, are in no hurry to advance the account.

Mr William Miller, the United States Treasury Secretary, paid tribute to the 'enormous effort' put into preparatory work by the IMF staff but he was distinctly lukewarm in other comments.

'I think some form of international reserve will come in due course,' he said at a Press briefing.

DUSTBIN

Mr Miller said he did not like the name substitution account. It is like a monetary dustbin into which unwanted dollars can be dumped.

Nor does he think the special drawing right is a good name for an international reserve asset. It has been a monumental failure in its intended role on the international monetary system in place of gold.

The problems of the run on the dollar since 1978 have largely receded now. And as Mr Miller wryly observed in reference to the international interest rate war and the efforts by Japan and Germany to show their 'strong' currencies,: 'Everyone loves a strong dollar until they get it.'

Officially the urgency behind the substitution account founded for 'technical and political reasons' which are so entwined that neither Mr De Larosriere nor the Mr Filippo Pandolfi, Italy's Finance Minister and chairman of the interim committee could isolate them.

The key issue is the need to make the SDR more acceptable as a reserve asset which will offer some insulation against depreciation of paper currencies.

TO this end the IMF staff had proposed that 25-million ounces of gold be used to augment the SDR claims issued by the substitution account.

But as the poorer countries do not suffer from an embarrassment of dollars — a problem peculiar to the rich industrialised nations and oil exporters. They appear to want parity in the allocation of the IMF's residual gold assets and this has not found favour with the French in particular.

NEW-LOOK

Thus the IMF has been forced back to the drawing board. A new-look SDR (or some other name) is in mind. It will be made up of only five currencies (the dollar, sterling, Deutsche-mark, yen and Saudi riyal, according to IMF sources) which will be a simpler concept than the current basket of 16.

It will also carry a more attractive interest rate. But the rub is how to balance the store of value functions as between capital (helped by possible gold profits) and income (through higher interest rates).

QUALITY	Div Decl	Current Price US cents	Prosp 1980 Div $450 SA cents	Prosp 1980 Div $550 SA cents	Prosp Yield $450 Gross	Prosp Yield $450 Net*	Prosp Yield $550 Gross	Prosp Yield $550 Net*
Buffelsfontein	Jun/Dec	3 250	550	750	21,0	17,8	28,6	24,3
Hartebeestfontein	Jun/Dec	6 200	800	1 025	16,0	13,6	20,5	17,4
Kinross	Mar/Sept	1 012	155	210	19,0	16,2	25,7	20,1
Kloof	Jun/Dec	2 625	340	420	16,1	13,7	19,8	16,8
Libanon	Jun/Dec	1 975	320	425	20,1	17,1	26,7	22,7
President Steyn	Apr/Oct	3 100	430	580	17,2	14,6	22,4	19,0
W Driefontein	Jun/Dec	7 275	1 100	1 350	18,7	15,9	23,0	19,6
Western Holdings	Apr/Oct	6 175	1 000	1 250	20,1	17,1	25,1	21,3
SPECULATIVE								
Grootvlei	Jun/Dec	800	130	180	20,1	17,1	27,9	23,7
Stilfontein	Jun/Dec	1 612	310	400	23,8	20,2	30,8	26,2
Welkom	Apr/Oct	1 212	180	250	18,4	15,6	25,6	21,8

*Net of 15% witholding tax.

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RDM 5/5/80

Golds still enticing for foreigners

By HOWARD PREECE
Financial Editor

YIELDS on gold shares are still looking enticing to some overseas brokers and investors even though gold has settled temporarily around $500. The widening of the financial rand discount has again made a big difference in the yields open to foreign buyers of gold shares compared with South Africans.

To the extent that this encourages overseas buying it will obviously help the Johannesburg market.

After gold hit a record $850 earlier this year the financial rand discount narrowed briefly to below 10% for the first time in four years.

But the gold price retreat, coupled with political fears arising from the Mugabe Government takeover in Zimbabwe and latterly the coloured schools boycott, sent the discount widening again.

It is now around 26% to 27% although it has gone out to as much as 30%.

The accompanying table is taken from London brokers Williams de Broe Hill, although I have updated it and assumed an exchange rate of R1 equals $1,24.

The dividend estimates for the mines featured are De Broe Hill's forecasts for 1980 based on average gold prices of $450 and $550.

The yield calculations are mine and are based on last Thursday's closing prices in London in US cents.

Both gross and net yields — that is, the yield less the 15% witholding tax that South Africa imposes on dividend payments to foreigners — are included.

Some overseas taxmen will apparently allow the withholding tax to be deducted for tax purposes while others will not.

It should be pointed out that where the dividend recipient is hit by the witholding tax but still taxed in full in his home country he then needs a financial rand discount of 15% just to get the same yield as a South African investor.

But for those who can offset the witholding tax, yields are attractive with the financial rand discount in the 25% area.

De Broe Hill says: "The current outlook for the June quarter is not so good with average receipts to date of around $515, down around 20% on the high level in the March quarter.

"However, the abolition of the loan levy will have bolstered cash resources significantly.

"The mines to benefit most are those with June yearends because loan levies estimated for the September and December 1979 quarters may be claimed back.

"Typically though, this concession will add around 12% to 14% to average earnings off an annual basis.

"Therefore, gold revenue can afford to drift downwards slightly without unduly affecting prospective dividends."

De Broe Hill says: "The generally excellent interim dividends from the Anglo American OFS mines in April set a

declare in June.

"At this stage those mines with the most potential for good final dividends in June are Buffelsfontein, Hartebeestfontein, Libanon and West Driefontein, all in our list of recommended quality stocks. Those four stand to benefit more than most from the loan levy abolition and were very conservative at the interim stage in December 1979.

"At their current share-prices the prospective average yield on the forthcoming dividend is around 14%. At this level of prospective return we expect interest to focus on the June declarers, these four mines mentioned in particular, and consideration should be given to switching into these stocks.

"Following their strong relative performances and good dividends President Steyn and Western Holdings may be due for some underperformance as investors start to switch into the June prospects.

"Our prospective yield tables have been rebased on gold prices of $450 and $550 for 1980 to take account of the current ruling price and the recent loan levy abolition.

"In many cases a revision of our forecasts for recovery grades and cost inflation has eaten into the benefit of the loan levy abolition. Nevertheless, average prospective yields on quality stocks at the two gold prices are respectively 19% and 24%.

"As we continue to feel bullish on gold's medium-term prospects and we regard the current prospective yields as attractive, we continue to advise a full weighting in the sector.

"The following shares (those in the table above) are specific recommendations in the quality and speculative categories."

Krugerrands are back in demand

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RDM 6/5/80.

By SIMON WILLSON

KRUGERRAND sales last month continued their steady recovery following the slump at the beginning of the year to total 259 939 coins in April, Intergold announces.

The improvement follows a period of relative stability in the gold price after its wild fluctuations in December and January.

Sales in March were 124 432, a figure which marked the beginning of the upswing from the rock-bottom 6 254 Krugerrands sold in February.

But Intergold, the marketing arm of the Chamber of Mines, said no Krugerrands were sold at all until March 19, indicating a late, and somewhat intense revival of interest.

The rate of sales over the second half of March this year actually matched the much higher general sales trend of last year, but the rate was not continued in April.

The sales in April 1980 are still well short of the figure for April 1979, which was 551 400.

Intergold said the sales revival marked a return to what it regarded as more normal levels of demand, particularly from the United States.

Observers speculated last month that Intergold and its agents had withheld Krugerrands from the market in March this year, as part of the "more flexible" bullion sales policy adopted by the Government. Intergold has denied any such plan.

The marked increase in coin sales in April appears to rule out any possibility of a similar alleged sales strategy having been used last month.

Now that the gold price has descended from the dizzy heights of December and January, the smaller gold buyers seem to have re-entered the market, particularly in the United States, and the frantic selling back of Krugerrands which characterised the February sales slump, has ceased.

Hong Kong is also proving to be a top sales point. Krugerrand sales there in March were a record 17 952, from a figure of 4 338 the previous month, and total sales over the five-month-long availability of the coin in Hong Kong totalled 50 111 at the end of March.

Intergold plans to sell 150 000 Krugerrands in Hong Kong this year.

Krugerrand sales now have an added significance in the way they prepare the market for the introduction of the new half-ounce, quarter-ounce and tenth-of-an-ounce South African gold coins planned for later this year.

The extension of the range of gold coins available to the investor is an effort to cater for all levels of the gold coin market, and the attitude of the market towards the one-ounce Krugerrand will obviously affect the initial sales prospects of the new smaller gold coins — to be known as Krugers.

But the introduction of the smaller Krugers could prevent a repeat of a sales slump like the one in February this year, by bringing the minimum unit cost of gold coin investment down, and making possible a more aggressive overseas marketing approach.

It has been pointed out, however, that the selling back that took place in the February sales slump cleared out the large and potentially disruptive speculative holdings which had accumulated as the gold price appreciated steadily.

The result should be an improvement in the Krugerrand's reputation as a highly liquid asset after the easy absorption of the sold-back coins by the distribution network.

But the extra variety in gold coins provided by the new mini-Krugers should provide a major fillip to overall sales by making gold coins available to the small investor, for whom one-ounce Krugerrands are excessively valuable at today's gold price.

The introduction of the mini-Krugers will require amendments to existing legislation which are expected to be tabled in Parliament before the end of the current session in June.

Already gold coin marketers are calling for the introduction of the smaller coins ahead of schedule to protect the fragile sales recovery.

Gold price up after IMF auction

Argus 8/5/80 (77)

GOLD rose to 515 dollars at the opening in London today after fetching an average of 504,90 dollars at the International Monetary Fund's final gold auction in Washington last night.

Bids for 1,8-million ounces were more than four times the 444 000 ounces offered by the IMF, Reuter reports.

Prices paid by successful bidders ranged from 500,20 to 511,15 dollars.

The sale raised another 204-million dollars (R162-million) for a trust fund for the world's poorest nations, bringing to 4 640-million dollars the amount raised in four years of auctions.

Reports of heavy bidding at the auction pushed gold up 5 dollars on the New York market to close at 515 dollars last night.

The dollar recovered on European money markets yesterday after coming under heavy selling pressure and trading at a two-month low against the mark.

● Gold price fixings in London:

	Dollars an ounce	Rands a kg
Today 10.30 am	513,75	13 091,52
Yesterday 3 pm	510,00	13 009,37

will thus be
IR There is a ... ds [as
at i_3] then d ... D., the
price [i.e. i] of ... rise,
thus increasing ... ring off
the excess D. ... $\equiv$m will
be required a
Thus it can ... that the i
will change in ... to bring back
a state of
Since according ... classical school,
$G = T$, $M =$ ... follows that
A.D. will be ... equal to A.S
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eq$\equiv$m, all J ... W].

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185/80/K (E) T

EMBARGO: Thursday, 15 May 1980 at 23h50 (South African time)

79 15/5/80

MONETARY GOLD AND MONETARY REFORM - QUO VADIS?

ADDRESS DELIVERED BY SENATOR THE HONOURABLE O.P.F. HORWOOD,
MINISTER OF FINANCE OF THE REPUBLIC OF SOUTH AFRICA,
AT THE SCHULTZ INTERNATIONAL MONETARY SEMINAR
IN FREEPORT, BAHAMAS, ON 15 MAY 1980

"I reject the implication that we must go back to gold. Going to gold, in fact, points the road forward" - Lewis E. Lehrman - 25 January 1980

Increased Interest in Monetary Gold

The subject of gold has attracted increased attention in recent years. More seminars are being held on gold than ever before. More questions on gold are being asked at press conferences and more space is being devoted to gold in reputable newspapers and journals than ever before. Gold is in the news, and is likely to remain there for a long time to come.

Gold is indeed a remarkable metal. It is durable and well-nigh indestructible. It is the most malleable and ductile of all metals. An ounce of gold can be drawn into a thin wire more than 25 miles long. These characteristics, taken together with gold's ability to mix readily with other metals to form alloys, constitute the basis of gold's pre-eminence as a jewellery metal. It really has no competition in this field.

But these characteristics do not by themselves explain the new attention being focused on gold. Much of the present interest in gold is related to recent national and international monetary developments and to gold's monetary significance. Indeed, gold has returned to the centre of the international monetary stage.

Gold has a long and impressive monetary history. One of the best things the world ever stumbled upon was the international

gold standard,/....

gold standard, which served mankind well for many decades. The same applies to the Bretton Woods par value system, which was also based on gold and which worked well for a long period after the Second World War. More recently, we have witnessed, first, the determined attempts by the monetary authorities of the United States and certain other countries to "demonetise" gold, and then, as the world economic situation deteriorated, the collapse of this campaign and the resurgence of gold as a monetary asset.

The increased interest in gold's monetary role has been closely associated with the pernicious combination of inflation, un=

employment and/....

employment and balance of payments problems which has plagued the world economy during the seventies. Not surprisingly in these circumstances, many people in many parts of the world have turned once again to gold as a proven store of value. Certainly, the dramatic events in the world's gold markets during the past year or two must be viewed as at least partly a symptom of the deep seated inflation and other economic pro=blems in the world and of the general lack of faith in the ability of monetary authorities to deal with these difficul=ties effectively.

Monetary Gold - /....

Monetary Gold - Friend or Foe?

A visiting economist or financial expert from another planet would be struck by this tremendous interest and confidence in gold, and by the fact that it has outperformed not only the weakest but also the strongest currencies during the past year. He would want to know more about the history of gold and about its monetary role. And after making a study of the world's present economic ills, he would find it difficult to understand why some of the monetary authorities on this planet have spent so much time and energy during the past ten years in futile attempts to demonetise gold, instead of putting this prime and highly trusted reserve asset to better use in the international monetary system.

"Why are you/....

"Why are you fighting gold?", he would probably ask these monetary authorities. "Gold is not the cause of your difficulties. Gold is not your enemy. Indeed, if properly harnessed, it could be an invaluable ally in your efforts to curb inflation, to restore balance of payments equilibrium and to promote sound economic growth. Planet Earth is indeed fortunate in having an asset with such outstanding monetary attributes and with such a well established monetary tradition as gold".

The Failure of Monetary Reform and the SDR Debacle

Another reason for the increased interest in gold's monetary role has been the unsatisfactory working of the international

monetary "system"/....

monetary "system" during the past fifteen years. The progress made in international monetary reform since the breakdown of the Bretton Woods system has been deplorable. The Committee of Twenty of the International Monetary Fund failed in its attempt to reform the system, and the subsequent Amendment of the Fund's Articles of Agreement left most of the main issues unresolved and was, in fact, a tragic anti-climax. All subsequent attempts by various other bodies likewise failed to produce meaningful reform.

A new low was reached during the meeting last month of the Interim Committee of the International Monetary Fund in Hamburg.

This gathering/....

This gathering produced little more than meaningless platitudes. Nothing was settled. Everything is still up in the air - the proposed new "SDR substitution account", the use of the Fund's gold to support this account, the Fund's future gold sales pro= gramme and all related matters. Truly a case of "fiddling while the world burns"!

The result is that the world still finds itself today with an unsatisfactory international monetary system. The present system is a kind of inconvertible multi-component reserve currency system, dominated by the United States dollar and characterised by managed floating for the main currencies or currency "blocs",

and by "pegging"/....

and by "pegging" arrangements of one kind or another for the currencies of the less developed countries. Gold is no longer the legal unit of account or numeraire of the system. No currency is convertible into gold or into any other commodity or "basket" of commodities, and the value of the Special Drawing Right of the I.M.F. is tied to a weighted basket of currencies. World liquidi= ty is out of control, and for the time being the United States has not seen its way clear to agreeing to a system of "asset settle= ment", that is, to pay its debts in something else than dollars and to give up the privileged position of the U.S. dollar as the main reserve currency and the fulcrum of the system.

The much vaunted/....

The much vaunted Special Drawing Right has done little to im= prove matters. To say that the SDR has not lived up to expec= tations would be the monetary understatement of the century. In retrospect, it is difficult to believe that many monetary authorities at one stage believed their own propaganda to the effect that: "The SDR will become the principal reserve asset and the role of gold and reserve currencies will be reduced. The SDR will also be the numeraire in terms of which par values will be expressed...." "The allocation of SDR's will be such as to ensure that the value of global reserves is adequate in conformity with the adjustment and settlement systems." If all of this sounds very far-fetched today, I must remind you that

the sentences/....

the sentences I have quoted are actual extracts from the Out= line of Reform published by the Committee of Twenty during the 1973 Fund/Bank Annual Meeting in Nairobi.

The truth is that the SDR never really stood a chance. The United States only supported its introduction ten years ago because it appeared to offer an alternative to raising the official price of gold in the form of a "uniform change in par values" - a step which was explicitly provided for in the Fund's Articles of Agreement but which was anathema to the United States. In those days spokesmen for the U.S. Treasury claimed that the dollar was "as good as gold" and that, since it was

the "sun" around/....

the "sun" around which other currencies revolved like planets, it could not under any circumstances be devalued in terms of gold. To ensure adequate international liquidity, and as a "sop" to those who desired to build a system on an international reserve asset other than the dollar, the United States therefore went along with the SDR idea. But its heart was never really in it, and in subsequent years it saw to it that the interest rate payable on SDR's and the terms on which they could be held and used were never as favourable as those for the dollar. The de=veloping countries, for their part, supported the SDR because they hoped that it would eventually be "linked" to development aid and because, understandably, they liked the idea of "something for nothing".

The whole SDR/....

The whole SDR experiment has been an unmitigated disaster. In theory the idea had a certain intellectual appeal, but in prac=tice it failed. Indeed, in retrospect, the attempts made in the early seventies to rationalise and justify the creation over three years of 9½ billion SDR's - no more and no less - as an appropriate and effective way of "controlling" inter=national liquidity were quite ludicrous. The subsequent flood=ing of the world with dollars and the increase in the price of gold from $35 per ounce in 1970 to levels of between $400 and $850 in recent months, have made a complete mockery of the whole notion of supplementing or "topping up" world liquidity from time to time with appropriate doses of new SDR's. It can only be hoped that we shall learn from our mistakes.

Gold and Monetary/....

Gold and Monetary Reform

Apart from the SDR debacle, there are many other reasons why the attempts at meaningful international monetary reform during the seventies were so unsuccessful, and the substantial increases in oil prices during this period certainly did not help matters. But I would submit that one of the main reasons for the failure of the reform efforts was the determined attempts on the part of some of the major industrial countries to demonetise gold. "Phasing gold out of the system" became an obsession with some participants in the reform exercise. Gold is dead, they argued. It is irrational and a waste of resources, they claimed, to mine gold at great cost deep in the earth in places

like South Africa,/....

like South Africa, only to bury it again deep in Fort Knox or in the vaults of central banks. And it is unsatisfactory, so they insisted, to allow the growth of official reserves to depend upon the "vagaries" of gold discoveries and production, the "whims" of gold speculators and the effects of changes in the gold price. Just as gold had largely disappeared out of <u>national</u> monetary circulation, it should therefore also disappear out of <u>international</u> monetary circulation.

Some of the more idealistic members of this anti-gold school wanted to see the place of gold taken not by any <u>national</u> currency like the dollar, but by a new truly international reserve

asset like the/....

asset like the Special Drawing Right. Some American observers, however, supported this anti-gold approach for more practical reasons. The pressure to which the U.S. dollar had been sub= jected because of the inflationary tendencies in the United States and the large deficit in its balance of payments, led to the view that the United States would enjoy greater freedom of economic and political action if it could somehow persuade the rest of the world to demonetise gold and to go on to either a pure dollar standard or an SDR-dollar standard. This was one of the main reasons why some Americans came to look upon gold as an enemy of the dollar and adopted an aggressive anti-gold stance.

The subsequent/....

The subsequent course of events in the gold saga is well known. Instead of training their guns on their real enemies, such as excessive government spending and money creation, the monetary authorities of the United States and certain other countries directed their main fire at the monetary role of gold. A clear case of not knowing who one's friends and enemies really are. The ensuing onslaught on gold included not only the auctions of gold by the United States Treasury and the I.M.F., but also the virtual refusal to permit any real discussion of the pros and cons of gold's monetary role during meetings of the Interim Committee, the Group of Ten and other similar bodies.

As part of this/....

As part of this policy of denigrating gold, the so-called "understanding" on gold reached among the leading industrial countries in Washington in 1975, was presented to the world as a further step in the demonetisation of gold, particularly as it made provision for I.M.F. gold sales. And in the subsequent Amendment of the Fund's Articles of Agreement gold was "written out" of the legal provisions. For a while this interpretation of the gold "understanding" was accepted in many quarters, and this, in turn, contributed to the decline in the gold price during 1975 and the first half of 1976.

My own interpretation/...

My own interpretation of the 1975 gold understanding, which I set out in a press statement released in Washington the same night the new agreement was made public, was very different. To me the "understanding" clearly represented a victory for those who desired a continuing monetary role for gold. The fact that the agreement made provision for the abolition of the old official price and for central banks to deal in gold at market-related prices and to value their gold holdings at such prices, convinced me that gold was in the process of being <u>re</u>monetised rather than <u>de</u>monetised, and I said so at the time.

Although my/....

Although my interpretation of the understanding represented a minority view at the time, I believe it is fair to say that it has been vindicated by subsequent events. The fact is that the attempts to demonetise gold have collapsed. Gold has in recent years steadily reasserted itself as a factor in inter= national monetary affairs. Gold has been used in swaps and as collateral for loans. It has been included in the pool of monetary reserves backing up the European Monetary System. And at present market prices it constitutes about 60 per cent of the total official reserves of free world countries. Indeed, the largest gold holdings in the world are in the hands of monetary authorities. According to I.F.S. statistics, free world monetary authorities at the end of 1979 possessed about

32 000 metric tons of gold. At a price of $500 per ounce this corresponds to the equivalent of $514 billion, which represents about 30 years' production in the free world. The United States still owns the largest amount of gold (8 200 tons), followed by the International Monetary Fund (3 200 tons), the Federal Republic of Germany (3 000 tons), Switzerland (2 600 tons) and France (2 500 tons).

Although gold is, for the time being at least, no longer the legal numeraire of the system, its quantitative and qualitative importance as a primary reserve asset has therefore been greatly enhanced during the past few years. The relative status of the main reserve assets is no longer in dispute - the markets have passed a clear verdict in favour of gold.

Going Forward to Gold

Where do we go from here? In a nutshell, I believe that the time has now come to move forward to a new gold based inter= national monetary system as part and parcel of a broader strategy to deal with the world's present set of deep-rooted economic problems.

Before going further with this line of argument, let me clarify one point. In proposing an increased monetary role for gold,

I am not/....

I am not engaging in special pleading on behalf of gold pro= ducers. The South African gold mines could hardly have done better than they have under the unsettled world political and economic conditions of recent years. And as long as such con= ditions prevail, they will no doubt continue to benefit from an upward trend in the gold price. In fact, I have heard the argument that it is not in the interests of gold producers for gold to be re-established in a formal monetary role, since this is likely to contribute to increased monetary stability, reduced inflation and the return of confidence in currencies, which will probably imply a lower gold price than would otherwise prevail. Be that as it may, I think the point is accepted that in sit=

uations of/....

uations of currency instability and general economic un= certainty, gold tends to look after itself, and that my plea for a reappraisal of the monetary role of gold can no longer be dismissed as simply a ruse to give gold producers a higher price for their product than they would otherwise have ob= tained. What is at stake here, as I shall try to point out, is nothing less than monetary and political stability in the Western world and the survival of the free enterprise system.

Against this general background, I wish on this occasion to expand my earlier proposals for a reconsideration of gold's monetary role.

Let us begin/....

Let us begin by burying the gold hatchet. The kind of gold debate which was fashionable ten or fifteen years ago has been overtaken by events and is no longer relevant. Politi= cally and economically we now live in a totally different world. The West is in trouble and more people are discovering this every day. Our record in coping with inflation, unemploy= ment and balance of payments difficulties is appalling. So let us forget the gold debate of the past and move forward together to a new dispensation for gold.

Let us also leave considerations regarding the <u>long term</u> mone= tary role of gold aside for the time being. Obviously the

evolutionary/....

evolutionary process of change in the international monetary system will continue, and fifty or a hundred years from now gold's monetary role may have changed completely. So by all means let countries reserve their position on the proper monetary role for gold in the long term, if they so desire. In the long run it is not inconceivable that gold might in= deed be phased out of the monetary system and that its place might be taken by a primary reserve asset which is theoretically superior and the supply of which can be controlled more scienti= fically than that of gold. But, as Keynes said, in the long run we are all dead. In the meantime something must be done.

How then shall we proceed? I would suggest that immediate attention be given by the leading industrial countries to finding the most appropriate way of giving gold an agreed and well-defined monetary role not only as an official reserve asset but also as an international means of payment and the numeraire of the new system. Gold certainly performs an im= portant monetary role as matters stand now. But there is an urgent need to clarify and normalise this role. This is necessary to remove uncertainty and to improve confidence in international monetary arrangements.

Time is running out. We should concentrate now on practical and realistic monetary arrangements with which the world is familiar, which it can understand and which will be credible. This is no time to experiment with intricate and artificial arrangements designed to achieve certain philosophical aims in the distant future. A new role for gold in the system is precisely the sort of step which would be well received and understood by the world, and which would command credibility and contribute to improved confidence in international monetary arrangements.

By itself, the/....

By itself, of course, the institution of a new gold based system will not solve the world's present economic problems. Any such view would be extremely naîve. Let me therefore make my position in this regard absolutely clear: I believe that the world's present economic ills stem basically from a combination of excessive government spending and intervention in the economy, undue money creation, unrealistic interest and exchange rates, excessive use of mandatory price and wage controls, unjustified protectionism, undue reliance on exchange and import controls, the inordinate use of subsidies, and a general lack of national and international financial discipline. Any attempt to adopt a new gold based system without simultaneously tackling these basic causes would be doomed to failure.

I therefore have/....

I therefore have considerable sympathy with the views of experts like Mr. William Simon and Professor Milton Friedman, who be= lieve that sound money policies and financial discipline are pre= requisites for any solution of the world's present monetary pro= blems, and that without such policies and discipline a more formal role for gold would be of no avail. And, even in the best of circumstances, it is not going to be easy to persuade governments to apply these appropriate policies. But - and this is the crux of my argument - it is my sincere conviction that the recognition, clarification and normalisation of gold's monetary role will contribute significantly to the adoption and maintenance of appro= priate policies of sound money and financial discipline.

It is a valid/....

It is a valid point that countries have in the past often thrown off the yoke of a gold based system precisely because they wanted to get rid of the discipline associated with it. That this may happen again cannot be denied. But I have no doubt that, in the light of the monetary problems experienced in recent years, the harnessing of gold in a new monetary role would capture the imagi= nation of the world and greatly assist monetary authorities in restoring and maintaining financial discipline. In the present state of the world economy, Treasuries and central banks need all the help they can get and have much to gain and little to lose by moving on to a new gold based system.

Gold and the/....

Gold and the U.S. Dollar

There are different ways in which the world could now move forward to gold. The new European Monetary System, for ex= ample, represents a clear step in that direction. In my opinion, however, the best way would be for the United States to take the lead by restoring convertibility of the dollar into gold at a fixed price. The United States is the leader of the free world and the U.S. dollar is by far the most im= portant reserve currency. The free world needs both the United States and the dollar. The notion of phasing out the reserve currency role of the dollar is for the time being just as naïve as that of phasing out gold.

The sooner/....

The sooner American officials rid themselves of the notion that gold is an enemy of the dollar, the better. The United States still has more gold in its official reserves than any other country. It can turn the world's confidence in gold to good advantage by establishing a new link between gold and the dollar. The United States has nothing to fear from gold, only from monetary permissiveness and the lack of finan= cial discipline. A new alliance between the dollar and gold is the key to successful national and international monetary policy, just as the alliance between gold and the pound ster= ling proved so successful for Great Britain and the world during the nineteenth century and up to 1914.

The time has now/....

The time has now come for the United States to lead the world towards a reformed international monetary system which, like the original Bretton Woods system, will be workable, credible and conducive to growth with stability. There is no alterna= tive to basing such a reformed system on the twin pillars of gold and dollars. But the dollar must be made "as good as gold" by restoring convertibility. For the reasons I mentioned ear= lier, the feasibility of the SDR or any similar man-made inter= national reserve asset is for the time being highly questionable. Our only hope lies in a new gold-dollar system accompanied by sound money policies and strict financial discipline.

Which comes first -/....

Which comes first - discipline or a new gold-dollar link? There are those who say that to adopt a new gold-dollar link <u>before</u> implementing successful sound money policies, would be putting the cart before the horse. And, they argue, if appro= priate discipline <u>is</u> applied, there would no longer be any need for a gold-dollar link. I disagree. As I see it, there is no question here of putting the cart before the horse. Dis= cipline and the gold-dollar link must go together. And, to repeat my central thesis, while the introduction of a new gold-dollar link will not <u>by itself</u> guarantee adequate financial discipline, it is bound to assist monetary authorities in their attempts to apply sound monetary and fiscal policies.

<u>The New</u>/....

The New Respectability of Monetary Gold

The realisation that a new gold based system can make a significant contribution to the solution of the world's present economic problems, appears to be growing in influential circles. Increasing attention is being given, also in academic discussions, to the possibility of instituting a new link between the dollar and gold. It is highly significant that it has suddenly become respectable again to analyse and discuss the possibile advantages of a new gold based system of one kind or another. Important work in this field has been done recently by such eminent experts as Eugene Birnbaum, Arthur Laffer and Lewis E. Lehrman. Even Mr. Henry Reuss of the House Banking

Committee in the/....

Committee in the United States, who has not been known for his pro-gold views, has stated recently: "I don't think we should spend any time fighting gold .... We should thank our lucky stars that we've got it." In similar vein, Mr. Leif Olsen, Chairman of Citibank's Economic Policy Committee, who has never been a member of what he calls the "Gold Club", stated recently: "If I were in Washington, I'd be listening mighty hard not just to what the gold market has been telling us, but to what responsible advocates of a return to the gold standard are saying".

As Arthur Laffer has put it: "The issue of a gold based monetary system has again come of age.... The probabilities that

the U.S. will/....

the U.S. will return to a convertible dollar have become high enough to justify describing the likely shape and implications of a specific program to restore dollar convertibility." In a recent study entitled "Reinstatement of the Dollar: the Blueprint", he has therefore set out a detailed programme for the United States to institute a new formal gold-dollar link and to restore convertibility. Amongst other things, he would allow for a transition period during which the market would select the appropriate dollar price for gold. With the value of the dollar defined in terms of gold, he believes that there would no longer exist any reasons for the U.S. Government to be concerned with the foreign exchange value of the dollar and that

the dollar should/....

the dollar should be left free to seek its own level. However, he points out that it is quite likely that many foreign govern= ments would then be quick to re-establish parity between their currencies and the dollar. As he puts it, "with the dollar as good as gold, the attraction would be great".

Mr. Laffer's Blueprint is in full accordance with the approach to gold's monetary role which I have advocated during the past five years. This is precisely the kind of proposal which now deserves serious consideration by the world's leading monetary authorities. There are no doubt also many other ways of moving towards a new gold based system. It is no secret, for example,

that ways and means/....

that ways and means of making better use of gold as an official reserve asset and an international means of payment have been studied in depth by European monetary authorities in various joint study groups and official organisations during the past few years.

Needless to say, I welcome the new "respectability" of monetary gold. Hopefully this will mean that the virtual prohibition on formal discussions of gold's monetary role in such official bodies as the Interim Committee and the Group of Ten will now be lifted. In an article in the Wall Street Journal some

months ago/....

months ago Mr. Jude Wanniski remarked: "It is considered impolite to discuss the gold standard in front of children or modern economists .... But they can leave the room!" Perhaps now that monetary gold is regaining its respectability, the subject might after all be raised in front of children and modern economists again!

Moving to a new gold based system will not be easy. There are many pitfalls along this road which will have to be avoided. Clearly the subject requires a thorough investigation

by experts/....

by experts and the relative merits of the different methods of moving to a gold based system will have to be carefully considered. This study should commence without delay. It certainly holds out more promise of success than the extensive and detailed work done on the SDR substitution account in recent years.

I am now convinced that the new interest in monetary gold will continue to gather momentum in the months ahead, and that the "love-hate relationship" which the United States has had with

gold for many years, will change in the direction of more love and less hate. The textbooks are right when they say that for any asset to serve satisfactorily as money it must be able to combine the functions of "means of payment", "unit of account" and "store of value". The experience of recent years has shown once again that inconvertible paper currencies simply fail to do this. To be acceptable as money, paper currencies must there=fore be linked to commodities in one way or another, and the realisation is growing that, in practice, this link can best be established via a link with gold.

I believe that what John A. Davenport, in a recent article in Fortune Magazine, calls "the new allure of the gold standard" will become irresistible in the period ahead, and that we are now firmly on the road to the institution of the new kind of gold based system which I have advocated for many years.

Recent Political Developments in Southern Africa

I have been specifically requested to add to my views on gold a few comments on the political situation in Africa. I gladly accede to this request.

Regarding South/....

Regarding South West Africa/Namibia, you will be aware that, following a year of negotiations, South Africa on 25 April 1978 accepted a settlement proposal sponsored by the then five Western members of the Security Council of the United Nations which, it was believed, would lead the Territory to independence by 31 December 1978 at the latest.

South Africa accepted the settlement proposal because it saw in this an opportunity for the people of South West Africa/ Namibia to decide upon their own future in a peaceful manner. This accorded fully with the position South Africa had main= tained over the preceding years. The fact that the settlement

proposal has up/....

proposal has up to now not been implemented is a source of grave concern to my Government.

It may well be asked why implementation has not taken place and why independence has not been achieved.

Shortly after negotiations had commenced in 1977, the South African Government had accepted virtually every demand made on it by the international community as far as South West Africa/Namibia was concerned. This, inter alia, included territory-wide elections on a one-man, one-vote basis under the supervision of the United Nations and the removal of

racially/....

racially discriminatory laws and practices. As negotiations developed, however, a clear pattern of escalating demands on South Africa, evidently at the behest of SWAPO, the Marxist South West African People's Organisation, emerged. Despite this factor, it was nevertheless possible to reach agreement early in 1978.

Various opportunities to implement the settlement proposal have, however, been frustrated as a result of deviations condoned by the United Nations at the insistence of SWAPO. A further factor in this regard relates to the patently biased position of the United Nations regarding SWAPO, an organisation which has as its aim the seizing of power in the Territory through force of arms.

This organisation,/...

This organisation, which has inter alia been recognised as the "sole and authentic" representative of the people of South West Africa/Namibia by the General Assembly, is financed from the regular United Nations budget, thus enabling it to maintain an "observer mission" at the United Nations in New York. In 1980 financial assistance for this office amounted to some U.S. \$230 500. In addition, SWAPO benefits from an annual allocation from the regular United Nations budget to the Trust Fund for Namibia, which in 1980 amounted to some U.S. \$500 000. A grant was also made to that organisation - which, incidentally, can at best be considered to be only one of the political groupings in South West Africa/Namibia - by the United Nations World Food Programme (U.S. \$3 351 000 during the period 1977/79).

Various other/....

Various other United Nations agencies also provide financial assistance to SWAPO. In contrast, the various other democratic political parties inside South West Africa/Namibia do not re=ceive any assistance from the United Nations. It is therefore difficult for any objective observer to understand the claim that the United Nations acts in an impartial manner regarding South West Africa/Namibia.

The successful implementation of the settlement proposal or of any proposal designed to achieve a peaceful solution, will con=tinue to be seriously jeopardised if all the parties are not treated on an equal basis. There is no justification for the

General Assembly/....

General Assembly of the United Nations to declare one party the sole representative of the Territory and to act according= ly. All the parties are entitled to equal consideration of their views.

The South African Government remains committed to finding a peaceful and democratic solution to the South West Africa/ Namibia situation. It will spare no effort in an attempt to find a way in which the right to self-determination of all the diversity of peoples of the Territory can be realised, so that they too can enjoy their independence and the peace and prosperity which it will bring.

It is often said/....

It is often said that the South African Government's concern about Soviet imperialism and its penetration into southern Africa is something of a myth, that it is a state of mind which cannot be substantiated in fact and that the West in general and southern Africa in particular need not fear Soviet expansionism. However, we in southern Africa know better. We know that this threat is a very real one. Afghanistan has proven us correct.

Thus, for example, one finds firmly ensconced in Angola some 19 000 Cuban troops as well as East German and other Soviet bloc elements. There are also firm indications that these Soviet surrogates are to be found in other countries in Africa.

Why are they/....

Why are they there? Is the reason really that they are there to assist these developing nations economically or are their intentions more sinister?

I submit that the track record of the Soviet Union in this regard leads one to the unavoidable conclusion that their expansionist policies have led them to look to Africa, and in particular southern Africa, as the next stepping stone to encircling the West. That, after all, is their ultimate aim. The abundance of natural resources in South and southern Africa is an almost irre=sistible prize. If they succeed in cutting off the supply of minerals to the technologically advanced countries of North

America and/....

America and Europe, they will have succeeded in breaching the defences of the West and particularly the Western Alliance.

It is our sincere hope that, after the experience of Afghanistan and the other opportunistic adventures of Soviet imperialism and those of its surrogates - and even this beautiful island where we now find ourselves has recently experienced this opportunism - the West and all those who oppose Soviet adventurism will urgent=ly come to realise where the real danger lies. None of us can afford to shut our eyes to the reality.

ISSUED BY THE DEPARTMENT OF FOREIGN AFFAIRS AND INFORMATION
AT THE REQUEST OF THE MINISTRY OF FINANCE.

UITGEREIK DEUR DIE DEPARTEMENT VAN BUITELANDSE SAKE EN
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CAPE TOWN / KAAPSTAD

15 May 1980 / 15 Mei 1980

Horwood's new call for gold-$ link

79

16/5/80

Financial Reporter

THE TIME has come to move forward to a new gold-based international monetary system forming part of a broader strategy to deal with the world's present deep-rooted economic problems, according to Senator Owen Horwood, the Minister of Finance.

He made this appeal yesterday at the Schultz International Monetary Seminar at Freemantle in the Bahamas.

Senator Horwood said his plea for a reappraisal of gold's monetary role could no longer be dismissed as simply a ruse to give gold producers a higher price.

At present market prices gold constituted about 60% of the total official reserves of free world countries.

"What is at stake here is nothing less than monetary and political stability in the Western world and the survival of the free enterprise system," Senator Horwood said.

"Let us begin by burying the gold hatchet. The kind of debate which was fashionable 10 or 15 years ago is no longer relevant.

"Let us forget the gold debate of the past and move forward together to a new dispensation for gold

"I suggest that immediate attention be given by the leading industrial countries to finding the most appropriate way of giving gold an agreed and well-defined monetary role, not only as an official reserve asset but also as an international means of payment and the numeraire of the new system.

"While gold performs an important monetary role as matters stand now, there is still an urgent need to clarify and normalise this role.

"This is necessary to remove uncertainty and to improve confidence in international monetary arrangements.

"Time is running out. We should now concentrate on practical and realistic monetary arrangements with which the world is familiar, which it can understand and which will be credible."

Senator Horwood said: "By itself, of course, the institution of a new gold-based system will not solve the world's present economic problems.

"I believe the world's present economic ills stem basically from a combination of:

- Excessive government spending and intervention in the economy.
- Undue money creation.
- Unrealistic interest and exchange rates.
- Excessive use of mandatory price and wage controls.
- Unjustified protectionism, undue reliance on exchange and import controls
- The inordinate use of subsidies and a general lack of national and international financial discipline.

Senator Horwood said: "Any attempt to adopt a new gold-based system without simultaneously tackling these basic causes would be doomed to failure."

The free world needed both the United States and the dollar.

"The sooner American officials rid themselves of the notion that gold is an enemy of the dollar the better.

"The time has now come for the United States to lead the world towards a reformed international system which like the original Bretton Woods system will be workable, credible and conducive to growth and stability.

"There is no alternative to basing such a reformed system on the twin pillars of gold and dollars.

"But the dollar must be made as good as gold by restoring its convertibility.

"It is my sincere conviction that the recognition, clarification and normalisation of gold's monetary role will contribute greatly to the adoption and maintenance of appropriate policies of sound monetary and financial discipline.

"The harnessing of gold in a new monetary role would capture the imagination of the world and significantly assist monetary authorities in restoring and maintaining financial discipline."

Increasing attention was being given in academic discussions to the possibility of instituting a new link between the dollar and gold.

"It is highly significant that it has suddenly become respectable again to analyse and discuss the possible advantages of a new gold-based system of one kind or another.

"Needless to say I welcome this new 'respectability' of monetary gold. Hopefully this will mean that the virtual prohibition on formal discussions of gold's monetary role in such official bodies as the IMF Interim Committee and the Group of Ten will now be lifted.

"Moving to a new gold-based system will not be easy. There are many pitfalls along this road which will have to be avoided.

"Clearly the subject requires a thorough investigation by experts and the relative merits of the different methods of moving to a gold-based system will have to be carefully considered. This study will have to commence without delay

"The US still owns the largest amount of gold (8 200 tons) followed by the International Monetary Fund (3 200 tons), West Germany (3 000 tons), Switzerland (2 600 tons) and France (2 500 tons)."

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REAGAN AND GOLD

FM 30/5/80 (79)

Whatever happens after next week's June 3 California primary, Ronald Reagan now stands alone as the only man who can prevent Jimmy Carter from being elected to a second term. Thus this week, Americans who have not been directly involved in Republican Party politics are turning for the first time to examine just what the former California governor and ex-film star stands for.

What is interesting to many Americans is not that Ronald Reagan is just another conservative Republican running against the coalition of organised labour, blacks, poor and liberals who dominate the Democratic Party. Indeed, Reagan's performance this year, as charted by the polls, prove that he is the only candidate out of the dozens who began running two years ago who stood any real chance of defeating Carter in those constituencies usually most loyal to the liberal Kennedy wing of the Democratic Party.

One reason for Reagan's new respectability is that, unlike his unsuccessful race in 1976, he now offers specific policy choices to the voters instead of generalities. And it is his specific alternatives to Democratic Keynesian economic politics that are scoring most heavily with the disaffected lower middle class voter.

Among the more controversial policy ideas Reagan has tried out on American voters in recent months has been a possible return of the US dollar to the gold standard. "No nation in history has ever survived fiat money, money that did not have precious-metal backing," Reagan says to invariable applause.

Reagan's gold standard call is not just an idle gesture to the balconies on the Right. It is an idea advocated in all seriousness by the "Wild Bunch" of neo-conservative economists who have gradually ousted their better known, old-Washington-hand rivals from Reagan's inner circle. Their success has less to do with Reagan's own ideologies than with political realities. Better known advisers such as ex-Treasury secretaries William Simon and George Schultz and former Nixon era advisers such as Arthur Burns and Alan Greenspan have produced old-sounding ideas that are dismissed by audiences as being no different from the rhetoric of the Democrats.

The hallmark of the neo-conservatives around Reagan is that their ideas are radical departures from the traditionalists whom they disdain. The Wild Bunch is more internationalist, but far less interventionist domestically, than the Simon-Schultz-Greenspan brand of government economics, which the radicals dismiss as unsaleable since the Hoover administration, and as unsuccessful as New Deal Democratic economics.

So, for example, the gold standard idea is not so much aimed at allowing foreigners the ability to cash in US dollars in exchange for gold, as it is a form of discipline imposed on the Federal Reserve's ability to print those dollars.

"I doubt whether a ~~US~~ gold standard system would have more than tangential benefit to the world gold price, for example," Arthur Laffer, a California economist who is the main theoretician of the Bunch, told the *FM* this week.

The limiting of the number of dollars to a fixed percentage of the American 256m ounce gold hoard, is seen as good monetary discipline that does not encompass convertability for world speculators by necessity. Rather, as Laffer says, the goal is to restore the "moneyness of money — the feeling and faith that the dollar bill you hold in your hand today will have the same purchasing power it enjoyed yesterday and will retain that purchasing power in the years ahead."

Nor do the Reagan advisers shrink from the implication that a gold standard for dollars also means a fixed exchange rate system for all major currencies, a scrapping of the present floating rate system and an inevitable tight linkage of the fate of the American economy with not only its old trade allies in Europe and Asia, but with some nations with which it is barely on speaking terms these days — such as Mexico and South Africa.

There will be other differences which the American voter can use to contrast the Reagan would-be presidency with that of Carter's first term. A Reagan presidency would remove the anti-bribery and "human rights" restraints on US firms abroad and it would eschew economic boycotts as a foreign policy weapon.

Shares advance as gold passes $570

CAPE TIMES 5/6/80 (79)

A SHARPLY higher morning gold fix of $568 sent gold shares soaring yesterday and the second fix of $571,50 which was too late for the market, reinforced the bulls views that gold is trotting once again. Bullion opened at $558 -- 560 in London and rose throughout the day.

Gold shares added up to 9 percent and leading the field was Stilfontein which was immediately marked higher once it became clear that there was no further unrest at the mine and black miners had returned to work.

Stilfontein also led the gold board in volumes with nearly R350 000 shares being traded but diamond stocks Anamint and De Beers (up on the day) held the leading slot.

The big spurt in the dividend led to Harties gaining 250c and today's Genmin group dividends should buoy the market further.

Industrials tended to be mixed with blue chips such as Barlows, Premier Milling and Pick 'n Pay lower. Sasol is showing impressive strength and gained 9c yesterday

If gold approaches the $600 mark one would expect the industrial board to push firmly higher. A positive sign is the way the market continues to reflect the excellent profits Saficon rose six percent on its results.

Scotts and World were also marked higher and blue chip Remgro continued to firm. There are certainly sufficient deals in the offing to add a touch of excitement to dealing.

Platinums continued to harden, and coals were mixed yesterday.

13/6/80 79

GOLD DIVIDENDS FM 13/6/80

Cautious approach

If there were few surprises among the latest batch of gold dividend declarations, it is encouraging that most of the mines appear to be basing their planning on gold being supported above the $500 level. That, however, has not meant that earnings have been fully distributed ahead of up-coming capex programmes — developments which could come under strain if gold enters a period of prolonged weakness.

At least for the present, mine managers generally expect that upside pressures from higher and uncertain oil prices and falling US interest rates will at least counterbalance downward pressure as the US recession deepens.

But that is only one point of view. Though bearish opinions were muted during gold's run up through $600 over the last couple of weeks, the bears point to Wednesday's drop to $595 as supporting their earlier theory of one more solid advance before a steady decline to the mid-$400's by year's end. Though the recent advance has been fuelled by oil price fears, it was triggered by unrest in SA and the brief work stoppage at Stilfontein.

Bullion's rise was in part stalled by gold selling in the Middle and Far East (remember January?). But, perhaps more to the point, as overseas bullion traders see the tension in SA relax, another security factor in the gold price could be removed.

In the meantime, while gold remains above the $500 mark, dividend prospects should continue as a solid underpin to share prices. That is especially so if mine managers continue to take the view that capex can be easily funded from future earnings.

Even so, no-one appears to be going overboard on payouts. Taking a line, for example, through GFSA's June year-end mines, on fiscal 1980's results older mines such as Venters and Libanon have distributed less than they earned in the first three quarters after tax and capex. Both, of course, are heading towards significant capex increases.

Six months ago, West Drie was criticised for its parsimonious interim payout. That has been made up with the final, but East Drie appears to be taking the same line. Its 120c interim is little more than the 105,2c the mine earned in the March quarter. So if the mine follows the distribution pattern set by neighbour West Drie, a solid final could be in prospect come December.

At the other end of the scale, veteran producers ERPM and Durban Deep are making sure that nothing interferes with the capex programmes needed to ensure continued and increased operations at the mines. After earning a distributable 193,5c in the March quarter, ERPM declared an interim of 175c, indicating retentions of up to 200c during the first half. Durban Deep was marginally more generous, declaring a 160c interim after March quarter earnings of 152,1c.

Elsewhere, Western Areas, which is faced with some heavy capital spending to inaugurate uranium production, declared an interim below first quarter earnings of 51,8c.

At least for the next few months investors who have any fears over gold price trends should, perhaps, opt for mines such as Buffels and Blyvoor. Both mines appear to be paying out the bulk of their earnings as, apparently, is Harties.

At this stage of the game, bullion could move either way. As I see it there are no compelling reasons for being either a near-term bull or bear. But if gold does weaken over the next six months, higher grade producers with relatively small capex programmes will have better defensive qualities than lower-grade producers whose relatively heavy capex plans could compound reverse gearing effects.

Jim Jones

WHAT THEY PAID

	June 1979	December 1979	June 1980	Earnings after capex and loan levy June 1979 March 1980	Price	Yield on last two divs %	Year end
			c				
ANGLOVAAL							
ET Cons	35	40	110	121,5	1 300	11,5	Jun
Hartebeestfontein	290	300	725	761,4	7 575	13,5	Jun
GENERAL MINING							
Buffelsfontein	120	160	430	422,5	4 600	12,8	Jun
Stilfontein	35	100	160	231,7	1 975	13,2	Dec
WR Cons	7,5	10	7,5	22,2	635	2,8	Dec
GFSA							
Doornfontein	40	20	100	214,4	1 635	7,3	Jun
East Drie	55	120	120	220,7	2 875	8,3	Dec
Kloof	80	80	240	243,9	3 375	9,5	Jun
Libanon	100	50	150	277,0	2 400	8,3	Jun
Venterspost	30	65	135	235,4	1 800	11,1	Jun
West Drie	415	300	850	905,8	9 500	12,1	Jun
JCI							
Randfontein	250	350	450	1 133,8	7 300	11,0	Dec
Western Areas	12	35	40	80,6	840	8,9	Dec
RAND MINES							
Blyvoor	65	100	185	192,7	1 950	14,6	Jun
Durban Deep	40	115	160	321,7	3 300	8,3	Dec
ERPM	10	90	175	346,3	3 300	8,0	Dec

New switch to gold as US rates tumble

STAR 5/6/8

79

By John Cavill, Financial Correspondent

LONDON — Led by a 29-dollar-an-ounce surge in gold to 582 dollars, precious metals moved up here yesterday on news of a further relaxing of the United States' tight money policy.

With prime US lending rates cut to 13 percent (from 14 percent) the switch out of dollar deposits gained momentum.

Gold jumped to a new 10-week high at 573 dollars before being fixed at 571,50 dollars an ounce in the afternoon and as New York markets warmed up it pushed ahead to 582 dollars.

Platinum gained 22,50 dollars to 630 dollars an ounce with silver up 75 cents at 15,40 dollars an ounce.

London brokers said the strength of gold was helped by Arab speculators closing their short positions and South Africa holding back supplies of the metal.

"Supplies of physical gold are very tight and with the speculators turning buyers the market is facing only one way at the moment — up," said one leading precious metals trading house.

● There are hopes that gold production in Western Australia this year could be at least twice as much as last year.

The president of the Chamber of Mines, Mr Peter Wreford, said this would depend on the price of gold stabilising around 500 dollars an ounce, which seemed to be a modest prediction.

In his annual report Mr Wreford said gold production in Western Australia was increasing and the Kalgoorlie. . . capital of the West Australian gold fields. . . could return to its traditional prominence as the centre of a vigorous gold mining industry.

If it did, it would be the fourth time this had happened since the discovery of gold in the state late in the 19th century.

Long and the short of it—but US slump is here

The Star Bureau

NEW YORK — The Carter Administration thinks it will be short. Private economists predict it will be severe.

But they can now agree on one point — the United States is officially in a recession.

That is the pronouncement of the National Bureau of Economic Research, a private organisation generally acknowledged as the arbiter of business cycles in this country.

After months of scholarly indecision, the bureau's seven-member business cycle dating committee confirmed what the American public already knows — they concluded officially that economic activity in the US "peaked" last January.

The NBER dates the economic decline from the same month. They cited a downturn in three key indicators — industrial production, retail sales and number of hours worked — as the basis for their decision.

'Gold will hit $300'

The strong rise in the South African rand against other currencies may slacken this year, and the rand may start losing value next year.

Senbank predicts in its latest economic review, Economic Opinion, that one of the causes will be the international gold price averaging between 300 and 350 dollars in 1981.

Though such a price will be considerably lower than present levels, this forecast compares favourably with the 1979 average of 307 dollars and 193 dollars in 1978.

As far as the value of the rand is concerned, the important point is that foreign exchange earnings from gold probably reached a cyclical peak during the first quarter of this year.

The current account will remain in surplus to about R3 500m this year, but the quarterly surpluses will shrink as the year progresses. For 1981 it appears that an average gold price of close to 400 dollars an ounce will be required to keep the account in balance.

Apart from the lower gold price, lower export growth due to the world recession and higher imports due to strong growth in domestic investment will add to the strain on South Africa's current account of the balance of payments.

Gold climbs as oil jitt[...] mo[...]

STAR 10/6/80 79

By Michael Cheste[...]

World jitters about m[...] triggere[...]ved [...] tional b[...]kets

day and fighting broke out at about 11.30 pm. As Mr Adams watched a shot was fired.

SA yacht i[...] sixth in A[...]

The Star Bureau

LONDON — Bertie Reed in Voortrekker, South Africa's entry in the Royal Western Observer single-handed transatlantic race, is sixth overall according to the latest satellite position.

Voortrekker is also lying sixth in her class. She has covered 392 miles from Plymouth.

Last night Frenchman

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BOOK

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered); leave columns (2) and (3) blank.

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What an upswing! Payments hit R7 780 m surplus

STAR 13/6/80 (79)

Own Correspondent

CAPE TOWN — Senator Owen Horwood, Minister of Finance, told the Assembly he could give the good news that in the past six months, the economic upswing had been even greater than he had anticipated in his Budget address.

Introducing the third reading debate on the Budget, Senator Horwood said the current account of the balance of payments in the first quarter had risen to the new record figure for a single quarter of R1 970m.

Against a seasonally adjusted annual rate this surplus reached the "nearly unbelievable" amount of R7 780m.

The Minister said this was an astonishing figure and it reflected the remarkable strength of the country's external accounts.

Senator Horwood said inflation remained a serious problem and the Government was determined to do everything in its power to counteract it.

INFLATION

Although the inflation rate had not accelerated over the past three quarters it remained unacceptably high and needed to be reduced as a matter of high priority.

A lot of attention had been focused on considerable increases in food prices, but it was unfair to single out agriculture or individuals as the scapegoats.

As in the case of the consumer, the farmer was also the victim of inflation and his costs had increased considerably.

He called on employers to consider the plight of pensioners and to make extra contributions to pension funds.

RESERVES

The rand appreciated further in the first five months, and South Africa's overseas credit rating had improved still further.

An example of this was the fact that South Africa was at present floating a public bond issue of 120-million marks in Europe.

The economy had remained in a cyclical upswing in the first five months and 1980 could turn out to be the best growth year since 1974 and the upswing will continue for some time thereafter.

The gold and foreign reserves had increased by R255m during the quarter, but there was an outflow of R1 715 m and this was largely a reflection of repayments of external loans and a transfer of trade financing from external to internal sources.

This was the logical result of the remarkably low interest rates in South Africa in this period in comparison with overseas.

The large surplus on current account was an abnormal phenomenon partly due to the high average gold price of 631 dollars an ounce. Since then the gold price had moved much lower and the average price for the first five months of the year was 585 dollars an ounce.

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WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.
2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

he candidate liable to disqualification and to possible exclusion from the University

SA may hold back 1m oz of gold

(79)
RDM 18/6/80.

By NEIL BEHRMANN

LONDON. — South Africa may hold back about 1-million ounces of newly produced gold from the market this year in line with the new strategy of using the balance of payments strength to support the gold price.

This was disclosed to me in Zurich by Dr Chris Stals, Deputy Governor of the Reserve Bank.

Dr Stals says the Reserve Bank will allow the gold mines to sell gold forward, if they wish, on the United States or other futures markets.

South Africa last year produced more than 22-million ounces of gold and production this year is expected to be slightly less.

If the bank does keep back 1-million ounces, that will be about 5% of total production. At today's price it would be worth about R460-million.

The purpose of keeping gold back would be to underpin — and even boost — the gold price by taking advantage of South Africa's present immense strength on the balance of payments.

But Dr Stals stresses that the Reserve Bank policy has always been to sell current production in accordance with balance of payments requirements.

"We believe it is a sound policy to show the bullion markets and the main consumer, the jewellery market, that they can rely on regular sales from the main supplier," he says.

However, the bank applies a flexible policy in the short term. Generally, over a longer period the sales average out at full production.

Thus in a strong market more gold would be offered, and the bank would hold off during a market reaction — over a long period the fluctuations would iron themselves out and the full production would be sold.

Last year, however, an extra 4-million ounces of "swop" gold was sold.

But the tactics were the same — to sell into strength.

Dr Stals says South Africa sold an extra 100 tons (more than 3-million ounces) in 1979 over and above production of 703 tons.

That fact, plus witholding, means that perhaps 5-million ounces less gold will be on the market this year from South Africa.

The swop gold, which was sold, emanated from deals with the Swiss and West Germans negotiated in 1975 and 1976.

The Swiss hold most of the 8-million ounces of swop gold and the Reserve Bank has the option of buying it back at the negotiated price plus interest.

Dr Stals says the Reserve Bank is to allow gold mines to hedge their production on the United States futures exchanges, or in London when the gold futures market opens there.

Dr Stals says that hedging is an exchange control affair and will not affect the Reserve Bank's gold sales policy. He stresses that the bank has not sold gold on the US futures market.

There have been physical sales through precious metals dealers, such as Mocatta, J Aron, Republic National Bank and Phillips Brothers, but the bank has not made use of the futures exchanges.

Dr Stals says that hedging, or sales through the futures market by mining houses on behalf of individual mines, fall under exchange control because only the Reserve Bank can give the mines permission to deposit money on margin on the US markets.

(If any producer wants to hedge on a futures market it must put down a deposit, or margin, for the transaction and if the metal is sold and the price rises, the producers must put up more margin.)

Dr Stals disclosed that the Chamber of Mines received permission some time ago, but there was disagreement among members on whether it would be a good idea to hedge future production.

Some members were worried about sudden price movements and did not want to have the financing problem of putting up margin on their short sale position on the futures market.

Hedging might appeal particualarly to high-cost mines which could, at a premium, protect themselves from losses from sudden plunges in the gold price.

Low-cost mines might well prefer to take their chance on the spot market.

Gold is poised for that 1000-dollar run-up

STAR 2/7/80

(79)

By Geoff Shuttleworth

The gold price could breach the 1 000 dollar mark in the next big upsurge, Mr David Potts, author of Cons Gold's authoritative "Gold," said at a Press conference yesterday.

Mr Potts said total stocks of gold available for 1980 was likely to be around 1 100 to 1 200 tons compared with 1 765 tons last year, principally because there were 'no indications of a resumption of US Treasury or IMF sales.

In addition, Russian sales to the West are sharply lower for the first six months of the year.

Swiss dealers, says Mr Potts have been reporting virtually no sales at all, and he, himself, estimates that no more than a quarter of Russia's 1979 net sales of 229 tons have been made.

He says the Russian decline from 410 tons in 1978 and more recent declines are probably because they now have enough foreign exchange from the sale of oil and gold in 1979.

In addition, he says Russia might be trying to build up its gold stocks, since it is possible that sales around and over the 400 ton mark were in excess of Russian production, which he estimated at around 280 to 350 tons annually.

Among other forecasts, Mr Potts said it was likely that there would be major price movements over relatively short periods of time — even to the order of 300 or 400 dollars.

This major movement could be made possible by the speed of communications, the sharpened awareness of investors and the fact that a gold market was always open somewhere in the world.

During the last major upsurge of the gold price, Mr Potts said that when gold was approaching the 850-dollar mark, had President Tito died then, gold would have broken through the 1 000-dollar mark.

He noted that in the run-up to 850 dollars, considerable reselling and melting down of jewellery in the Middle East had taken place at around the 650 dollar mark and that he expected this to happen when gold surpasses 850 dollars again.

He said jewellery demand at the beginning of the year was 50 percent met by these recycled sources and half by new gold, but that since then new gold was accounting for 80 percent of this demand.

Total demand for new jewellery would be about 400 tons this year, sharply lower than last year's 737 tons but holding of gold would increase.

Commenting on the South African Reserve Bank's more flexible gold sales policy, Mr Potts said that world consensus was that South Africa will continue to sell its full production, but that it might for a period of up to a week, hold back supplies in order to avoid drastic drops in the international price.

$1 000 possible — Cons Gold

79

RDM 2/7/80

By ADAM PAYNE

MR DAVID POTTS, author of Consolidated Gold Fields Gold 1980 report, said in giving a personal view in Johannesburg yesterday that gold could have risen over $1 000 an oz in the January surge — it could still reach that figure, given similar circumstances.

He said: "The price went to $850 at a weekend when Tito was thought to be dying and when other crises were on the boil — Afghanistan and the attack on the Grand Mosque in Saudi Arabia.

"Had Tito died that weekend, Middle East sources where buying was taking place believe the price could have gone beyond $1 000 an oz.

"But the bad news got better and the price declined.

"The melting down of gold in the Middle East and its sale back to Europe started strongly when the price was above $600.

"The combination of this selling and higher interest rates in the United States helped to force the price down to $474.

"In the next big upsurge, if such forces as previously occurred come together again, I think the price could pass $1 000. I do not expect the selling of above-ground stocks to start until the price passes $850."

Mr Potts said he was impressed by the way gold bounced off $500 in recent months. Central banks, if they saw the price rising too fast for stability, might get together to sell to check the rise.

"The surges can be a few years apart, but they can be over much shorter periods than in the past.

"Swings of as much as $300 in the price could occur over three months.

"In the early days when the gold price rose, we assumed it would stay. Now we have learnt that it can rise and come down rapidly."

He said the futures market in the US would have to arrange its rules to achieve stability and so gain universal acceptance as a good market. At present it attracted too many speculators.

Gold was now accepted as as useful asset and a store of value and the fear of central bank sales had "as good as gone".

Production by the non-communist world in 1979 was 962 tons. This year he looked for a production of between 950 tons and 975 tons. If the price stayed above $500, more mines would come into production including small enterprises producing half a ton or one ton a year in the United States, Canada and Brazil.

He did not envisage any increase in supply from 1980 to 1983 and he did not expect any major sales of gold from the United States.

In the first half of this year Soviet sales had been minimal and the figure of 574 tons sold last year would be heavily reduced in 1980.

Russian production was 280 tons to 350 tons a year — much below the sales total of 400 tons in 1976, 1977 and 1978. Possibly, the Russians had been selling from stock as well as current production when they reached those high figures and it could be that they were now building up stocks.

He predicted net private purchases in the non-communist private sector at between 1 100 tons and 1 200 tons in 1980 instead of the 1 765 tons in 1979, mainly because official sales would be down.

Whereas carat jewellery used 737 tons in 1979, he was looking for only 400 tons in 1980.

"European fabricators were running at 50% of 1979 capacity in the first half of this year. Half of the gold used in 1979 was recycled and now about 80% of the gold used in carat jewellery is new gold.

"Eventually the fabricators' stocks of new gold will be exhausted."

Mr Potts said 290 tons were used in official coins in the United Kingdom, Mexico and Canada last year. He was inclined to think the total would be less this year.

He forecast greater consumption of gold in electronics, but he expected to see a drop in its use for dentistry.

The big flow of gold from America to Europe in 1979 because of IMF and US Treasury sales would not be repeated this year.

Discussing the selling of gold he said: "I think there are a growing number of investors around the world who are willing to sell when gold goes to a high price, with a view to buying it back when the price is lower.

"Periodic flows of money into gold can be quick and they can also be withdrawn very quickly.

"Such movements get the gold price moving. Publicity about the price brings in new buyers who buy small bars at a premium above the normal gold price.

"On top of these factors political crises result in the price being pushed up."

Gold $666 — and shares soar again

Cape Times 3/7/80 (79)

NEW gains by gold pushed the stock market yet higher yesterday with the sharpest gains being shown by gold shares and platinums.

By PAUL DOLD
Financial Editor

Not even news of an underground fire at West Drie could dampen the market's mood and the W Drie share price added R2.

The morning gold fix was $672 but the price eased in the afternoon to $661,50 as profit-taking set in. The metal reached a peak of $666 during the day.

Dealers said a bout of selling in silver late in the afternoon which brought the silver price down from 1 729,40c at the fix to 1 670,00 — 1 690,00c, pushed gold down ahead of the bullion fixing session

The London close was $660, below the late fix but in Zurich the market closed higher $662 — 665

The heaviest volume was seen in Sallies, Loraine, Vlaks and South Vaal but it was De Beers which for the second day running topped the log with nearly R700 000 turnover after the previous R1m. The price was unchanged on the day but Anamint gained 300c.

Both Anglos and Amgold showed fairly sharp gains as well and Ergo, which is attractive, rose again.

Buying was seen for the investment trusts, such as Sentrust and Fred Dev, and both gained some 8 percent yesterday.

Sectoral feature of the day, apart from golds, was undoubtedly platinum Prices rocketted close to 14 percent on the day as the free market level advanced in tandem with gold. The latter, of course, underlines the distrust of paper currencies. Rustplat led the sector with an 80c advance.

Coppers rose yet again on the United States strike and it appears that an early settlement is unlikely Messina added 40c. Tin stocks moved up as well.

Coals were mixed with a firmer bias, Blue chip Amcoal rose 100c, reflecting expansion plans, and Apex was bid higher.

Barlows continued its rise yesterday reaching 1 100c and the industrial sector in general spurted . OK's run up shows no signs of abating and the share gained 50c.

Tollgate's price rose 30c as the market took cognizance of the dividend yield and Trust Bank ran strongly once more. A notable movement was the 7c rise by local share Duros

The average yield on industrial shares is now about 4,4 percent

X2

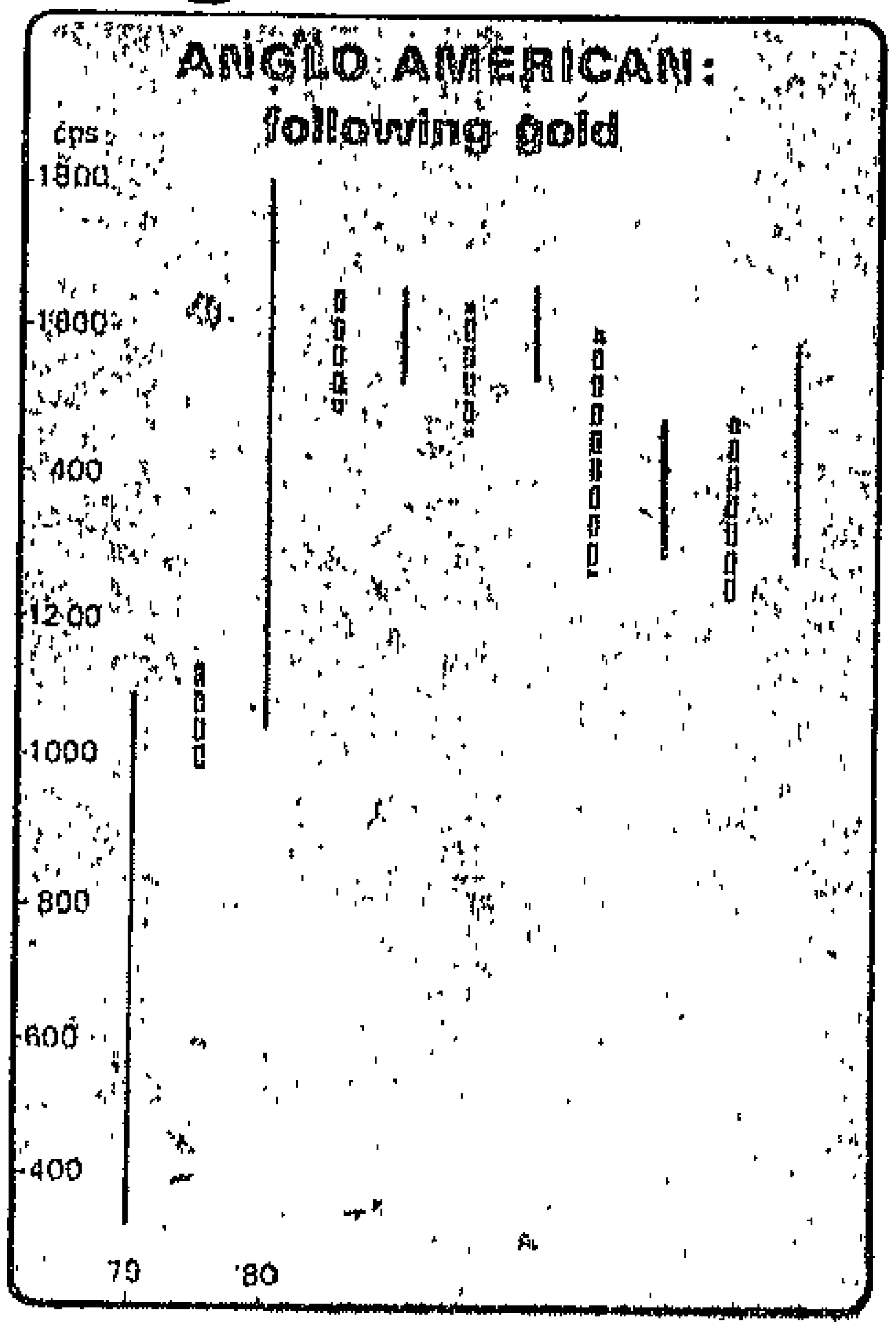
79 ~~58~~ FM 4/7/80

ANGLO AMERICAN

Gold funded growth

Activities: *Mining finance house with major interests in gold, coal and diamonds as well as important insurance and industrial interests. Apart from its own operating companies, Anglo controls JCI and has a 12,5% interest in Consolidated Gold Fields.*
Chairman: *H F Oppenheimer.*
Capital structure: *225,3m ordinaries of 10c; 40m cum red prefs of 2,5c; 4,8m cum prefs of R1. Market capitalisation: R3 875m.*
Financial: *Year to March 31 1980. Borrowings: long- and medium-term, R1 722m. Net cash: R1 366m. Debt:equity ratio: 31,1%. Current ratio: 7,7. Group cash flow: R363,3m. Share market: Price: 1 720c (1979-80: high, 1 830c; low, 667c; trading volume last quarter, 174 000 shares). Yields: 7,9% on earnings; 4,1% on dividend. Cover: 1,9. PE ratio 12,6.*

	'77	'78	'79	'80
Investments:				
Book value (Rm) ...	526	838	879	1 130
Market value (Rm) ..	1 102	2 269	3 386	5 423
Investment income (Rm)	87,2	213,2	220,6	321,4
Earnings (c)	65,2	87,6	90,1	136,1
Dividends (c)	33	45,25	46	70
Net asset value (c) .	786	1 025	1 543	2 391



This time last year two things were very clear about the greater Anglo group: it was on the verge of a major reorganisation; and growth was set to be fuelled largely by gold. As it was, both developments went well beyond what most analysts were then prepared to predict. Could it be that the same will apply this year? Almost everything appears to be pointing that way.

Last year's reorganisation resulted in millstones such as Selebi-Pikwe and Cleveland Potash being hung about stronger corporate necks. And that has left the off-shore arms Charter and Minorco more soundly placed to pursue their own developments. Meantime, since the raid in which Anglo and De Beers carried away 25% of Cons Gold, developments have left the group in a position where it could consummate the deal and achieve its ultimate aim of gaining direct control of GFSA (*Fox* June 27).

At least for the current year most growth will come from gold — either directly or through further acquisition. On an effective 1979 gold price of $306, 52% (37%) of last year's dividend income was gold sourced. This year, the contribution is likely to be well over 60%. Diamond income seems set for a period of consolidation, while industrial distributions could be under some restraint if retentions are increased to help fund increased development and working capital requirements.

But though near-term prospects are attractive, the group ultimately needs some major projects to maintain longer-term growth. And the simplest way for the cash-flush group to achieve that could well be through major acquisitions.

With the possible exception of the Erfdeel/Dankbaarheid area, there seem to be no major up-coming gold developments. Further drilling is needed before the group's mineral rights in the new southerly OFS gold field can be evaluated. And even then, there is no certainty that Anglo can put together sufficient ground to match Union Corp's two developments, Beisa and Beatrix. In the Eastern Transvaal, Anglo is trailing Anglovaal in its exploration programme. So even if viable gold deposits are defined, their full exploitation may be 10 years off.

For different reasons, uranium exploration in the Karoo, SWA and near Afrikander Lease may not result in any new mines in the near term. Uranium prices are depressed, and likely to remain that way for several years.

Most likely as far as the next two or three years are concerned is that new mine developments will concentrate on coal. The corporation now has coal reserves of 7 700Mt and has, since the year-end, announced an expansion of the Escom-tied New Denmark colliery. That, however, is unlikely to contribute to earnings until 1984. Nor, for that matter, is there likely to be any contribution from Erfdeel/Dankbaarheid until the late Eighties.

Almost no matter what happens to bullion, this year's contribution from Elandsrand will probably be at best token. Its contribution to dividend income will only start in full in fiscal 1982.

The situation is different as far as non-mining activity is concerned. Last year, dividends from non-mining interests rose to about R61m (R57m). They should be up again this year, but any spectacular advance next year may be out of court. By that stage some of the steam could be running out of SA's boom, plants will be operating near capacity and retentions could be increasingly important to fund operations and capital spending.

In short the group's earnings growth over the next year or two will depend largely on gold. And though it is difficult to be bearish at present, gold's advance will almost certainly come to an eventual stop and even suffer short-term set-backs.

Not that that is a great problem. Gold has averaged $594 this year, and is unlikely to average less for the whole year. And while supplies of new gold to world markets remain below last year's levels, there should, at least, be solid support in the $600s despite the US recession. On that basis Anglo's gold dividend income alone

Harry Oppenheimer . . . still on the takeover trail?

PTO

could reach R400m this year, Putting group's earnings on a new base of up to R600m. Deploying that should present no problems in the medium term. But fastest returns will be through further acquisitions.

On that basis, the up-coming bid by BP for Seltrust could well trigger further reorganisation of the greater Anglo group (*Fox* June 27). One likely scenario is that a greater direct stake will be acquired in GFSA, beyond the 10,9% held through Amgold.

That is, perhaps, the group's priority

INVESTMENTS AND INCOME

	Value of Investments %		Investment Income %	
	1979	1980	1979	1980
By prime source				
Gold	40	48	37	52
Diamonds	18	13	28	19
Coal	9	7	6	8
Copper	1	1	1	1
Platinum	3	4	1	2
Other mining	2	3	2	2
Finance	7	4	7	4
Industrial	18	18	17	13
Oil & gas	1	1	1	1
Property	1	1	1	1
	100	100	100	100
Geographical				
SA	76	82	74	81
SWA	4	3	5	3
Rest of Africa	6	4	7	5
South of equator				
North America	7	6	8	4
Elsewhere	7	5	8	7
	100	100	100	100

objective. But it is almost certainly not its last. Taking complete control of JCI could depend on internal politics at Anglo, particularly as chairman Harry Oppenheimer steadily reduces his direct participation in the group's management. But the fact that during last year's group reorganisation, Charter's 4,2% Rustenburg stake went to Anglo and not to JCI is a pointer to the group's strategic planning.

Making further acquisitions while funding new developments is unlikely to strain resources while gold earnings remain strong. Group loans soared last year to R1 590,8m (R609,4m), but on the basis of present and projected cash flow, there remains considerable scope for a further increase in borrowings. The group's capacity for mobilising funds both internally and externally is probably greater than at any time in its history. Its success or otherwise in putting this to effective use will power developments into the next century.

However, ignoring the non-controllable effects of further gold price rises, Anglo's size is such that in the longer run it will find it difficult to make earnings grow at a significantly greater rate than that of the economy. Based on end-March figures, even with an average gold price in the $600s, the taxed return on end-March assets seems pointed towards 10%.

This year's distribution, clearly, is highly dependent on gold's performance. But there should be little difficulty earning more than 200c, and no reason why dividends should not exceed 100c. *Jim Jones*

Tugged both ways

FM 4/7/80 (79)

$1 000 by year's end! That is the cry of gold bulls with the bit between their teeth in the wake of bullion's five-week $160 advance.

It is an easy enough proposition to justify — all that is needed is extrapolation of the factors that contributed to gold's lift-off from its mid-May $500 trading range. But it is not a proposition subscribed to by all analysts. The more cautious claim that, for the moment, underlying factors are being ignored because of short-term developments and that sometime within the next few weeks, gold could be set for a major reversal.

As always, you can take your pick. The day of the one-armed pundit has yet to arrive.

So what were the factors that propelled gold to $670 and could boost it nearer $700 this month?

As far as US gold traders were concerned, the most important factor has been the drop in US prime rates from their 20% April peak to their current 11,5%. Taking, say, a six-month view, the drop reflects some factors inimical to gold's advance. But, at least in the short term, it has lessened the cost of holding bullion in the US and helped weaken the dollar. That has led to a reversal of the situation in which gold holders were liquidating stocks and opting for high returns available in money markets. On the other hand, falling interest rates have spurred ordinary share prices despite spreading recession. That has probably syphoned funds away from bullion markets, at least in the near term.

Despite falling US inflation rates — consumer prices were down to an annualised 10,8% in May — which should have held gold down, the lessening attractions of holding cash or deposits in the banking system have prompted moves back to bullion.

Couple that with a perceived deteriorating world security situation and disarray at Opec's Algiers meeting, which in any case resulted in higher crude prices, and the scenario was set for a move off the lower-$500s which had persisted since March. As it was, buying by Mid-East and Far-East traders, who had liquidated positions during the December/January run-up to $850, and purchases by Swiss banks in what appeared to be support operations, effectively placed a floor under the metal.

More to the point, however, has been the growing awareness and fears that new gold supplies will be far lower than in 1979. This added urgency to purchases to re-build previously run-down stocks. Most markets have learned to live with an end to IMF sales, are reconciled to no further sales by the US Treasury and have come to terms with the prospect of lower Russian sales. But what they were not prepared for was a situation which they saw, rightly or wrongly, as threatening SA's sales.

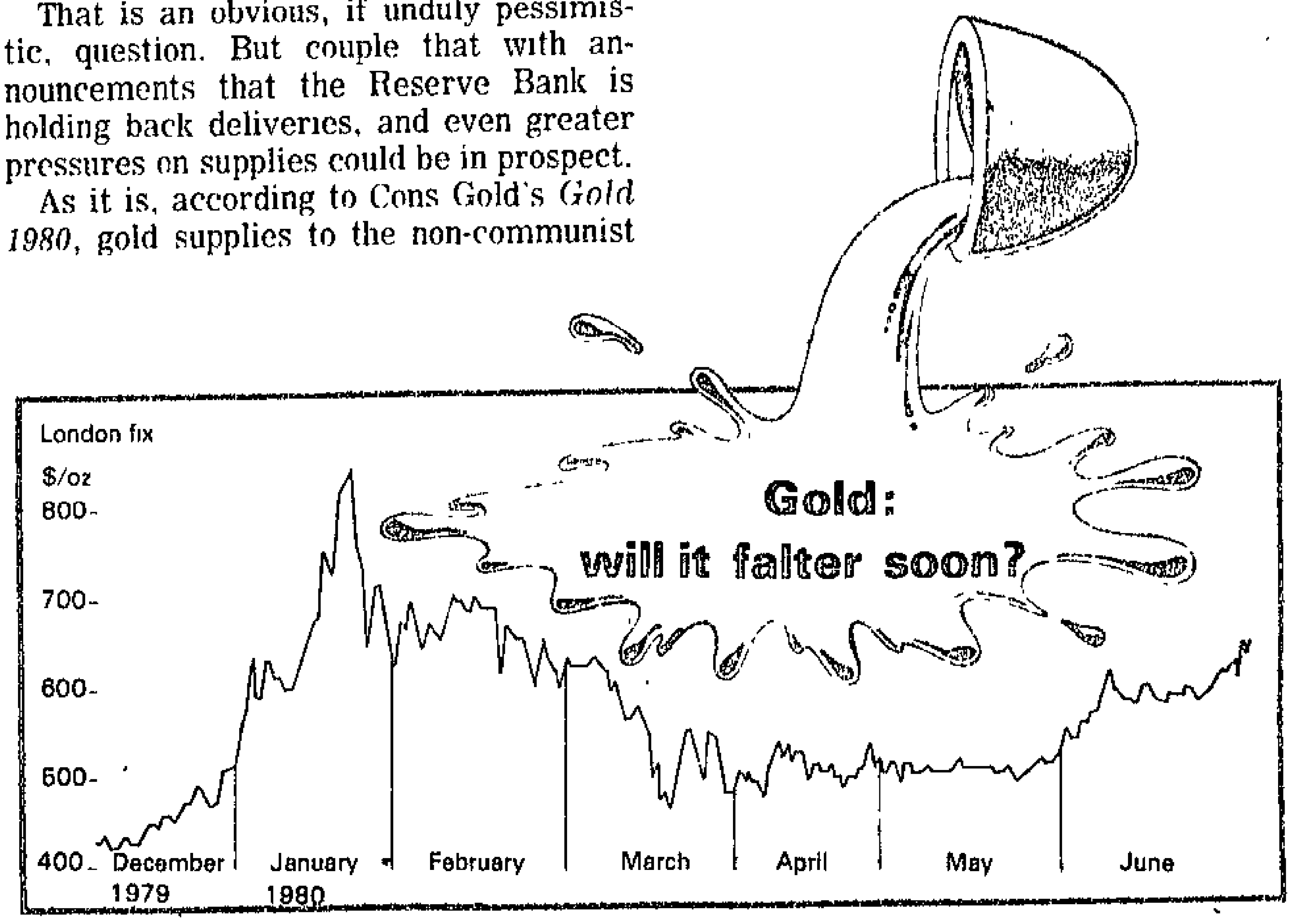
If Sasol can be blasted and the country can dissolve into strikes and civil unrest, overseas gold markets ask whether disruptions of gold production are far behind.

That is an obvious, if unduly pessimistic, question. But couple that with announcements that the Reserve Bank is holding back deliveries, and even greater pressures on supplies could be in prospect.

As it is, according to Cons Gold's *Gold 1980*, gold supplies to the non-communist private sector are likely to be some 40% down on 1979's 1 765 t, even without disruptions in SA's sales.

These factors have not disappeared, and as such it would be reasonable to base forecasts on further gold price advances. But the bears refuse to lie down and die, and their arguments are worth listening to.

Simplest is that the latest advance is merely a technical correction, accelerated by external factors such as security fears and oil price hikes. But, the bears contend, the underlying trend of a fast worsening US recession still remains. And turning the argument on its head, it has been proposed that had it not been for this major bear factor, bullion would have tested its $850 peak already. It has not and, so the argument goes, the latest advance is a mere flash in the pan ahead of a drop back through $500. Again, once private hoarders feel the prices are nearing the top, a wave of selling could set in



which could make the February/March setback seem like a mere hiccough.

That is especially so as the US authorities are probably incapable of pulling the recessionary chestnuts out of the fire and avoiding further major increases in unemployment. No matter what the bulls may feel about the near term, recessions have generally been bad for gold

Most commodity indices have been in a bear trend for several months — ever since last year's flight from paper currencies ground to a halt. Gold is, to an extent, a commodity like all others, especially since 1975 when gold futures trading was allowed in the US. As such, it cannot buck the downward trend for ever.

But if there is a price break later this month, will gold fall much below the last drop's $500 support level? At this point, another factor enters the equation — the SA Reserve Bank.

It has been discussing with the Chamber of Mines, the possibility of allowing local producers to cover sales on futures markets. Though no final agreement has been reached, sympathetic consideration will be given to industry proposals provided they do not mean a lessening of the Reserve Bank's marketing role. In other words, futures contracts can be taken up to hedge against gold price moves if that is necessary for orderly planning of mining operations. And, if necessary, foreign exchange could be provided to meet margin calls. But no futures contracts will be allowed which involve physical delivery upon completion. Hedging would provide some protection and certainty, particularly for lower grade producers.

But there is more than one way of skinning a cat. With substantially lower new gold supplies likely to reach world markets, SA's hand has been strengthened considerably. For the present, and while our balance of payments remains in surplus, we could restrict deliveries. In its turn that could help dampen our growing domestic liquidity. But there is no reason why a re-run of the gold swaps of the mid-Seventies should be ruled out. If our balance of payments does fall apart at a time of gold weakness, the answer could be to arrange currency swaps for our gold, with lower gold sales helping to support prices.

That sort of move is, no doubt, some way off, but it does at least offer the possibility of stabilising gold and could lessen the downward pressures of dishoarding if private holders see that firm action will be taken to support bullion.

To get back to the immediate future. A year-end price of $1 000 does not seem likely. Unless there is a major escalation in the world's political tensions, there are too many factors conspiring against bullion.

But that does not rule out further increases over the next few weeks. The present rise may be a technical correction, but it has yet to show incontrovertible signs of an imminent peaking.

GOLD PRICE FM 4/7/80 (79)

The Midas touch

Six months ago the *FM* posed the question: how well would SA be prepared to cope with the problems and opportunities which would emerge if the gold price hit the stratospheric price of $1 000? In fact, many of the warnings uttered then (*FM* February 18) have proved all too pertinent even with gold in the much lower price range of $500 to $650

The SA economy is already wrestling with the problems of excess liquidity and its exporters with the problem of a rising exchange rate, and nobody can pretend that these issues are fully resolved.

Now, the gold price has surged again (to a London fix of $672 at the moment of writing), perhaps unexpectedly at this stage of the US trade cycle. There is, admittedly, a strong weight of opinion which discounts the likelihood of gold making the ascent towards the $1 000 mark within the next six months (or 12), while there are those pessimists who believe that a major depression will bring the price down, even to the $300 to $350 range predicted by Senbank for next year.

But most observers seem willing to concede that the $1 000 scenario is sufficiently plausible, at this stage of the game, to justify well prepared contingency planning.

Official thinking seems to follow the twin track of further rand appreciation and exchange control relaxation, and private sector opinion effectively echoes this

One provocative opinion (from the banking sector) reopened the debate on gold sales, arguing that SA should reconsider the option of accumulating reserves in the form of bullion rather than foreign currency. It is true that this policy would result in the accumulation of the surplus in the form of newly-mined gold instead of dollars, so reducing the pressure on the external value of the rand. But it has been pointed out before that if the mines were paid full market price for current output, the value of output would still be monetised internally.

There is a further objection to this proposal. With the Soviet Union apparently out of the market, and official auctions at an end, SA's output is the only major remaining consistent source of supply of new gold The subtraction of a substantial proportion of SA output, therefore, would be highly destabilising, even irresponsible.

That being so, SA must plan on the basis that the full weight of increased gold revenue will have to be coped with, internally and externally.

Externally, the rand will manifestly continue on its upward course. There must, however, be a level at which the pressure on non-gold exporters will become generally hurtful. But these interest groups would do well to make their own contingency plans for at least some additional rand appreciation, and hope (pretty reasonably) that the process takes place slowly enough not to be too disruptive.

What remains, by a process of logical exclusion, is more rapid relaxation of exchange controls. The permutations and combinations in which this could be done are numerous. A strong starter must be greater freedom for the banks to invest abroad. Permission to do this would also enable them to cover their own forward exchange commitments by making foreign currency deposits, a useful step in the establishment of an effective foreign exchange market.

The big prizes (foreshadowed in the De Kock report) would be unification of the financial and commercial rands, implying effective abolition of exchange controls over non-residents, and even some degree of freedom for SA residents to invest abroad.

The latter possibility generated an unexpected comment from a banking source. Would local companies be inhibited from investing abroad for fear of an "Iranian" situation? In direct terms, would SA private sector investments abroad be at risk at a time of sanctions or embargoes imposed for political reasons? Obviously, any prospective investor would make his own evaluation of the risk-reward ratio, and if necessary, add a risk premium to the required rate of return This is precisely what foreign investors in SA (or any other politically suspect area) do at present

One beneficiary from greater freedom to invest abroad would surely be the Anglo/De Beers group, with cash resources which even now are difficult to invest profitably within the rand area

A last thought, pressures on skilled manpower, even now, are becoming severe in many areas, and could even curtail the boom prematurely. Gold at $1 000 or even $800 could well be the force to bring about the final over-stretching of these scarce human resources.

SA could, therefore, face, in the not too distant future, a contemporary real-life version of the Midas dilemma.

FREE ENTERPRISE

The *FM* congratulates Symond Fiske, first winner of the Free Market Foundation's award for services in the cause of free enterprise, aptly called the Free Enterprise Award. Fiske, 38, grew up in the UK where he rounded off his formal education at the Royal Agricultural College, Cirencester, following which he emigrated to SA in 1968.

In addition to being one of SA's best known agricultural writers — he is employed full-time by the *Farmers' Weekly* and is a frequent contributor to the *FM* — Fiske advises and lectures in the field of agricultural business management and administration.

RAND DAILY MAIL, Wednesday, July 9, 1980

All the gold was sold in June

79

RDM 9/7/80

By HAROLD FRIDJHON

THE REVALUATION of the Reserve Bank's bullion stock sent the gold and foreign exchange reserves soaring at the end of June. They rose from R4 810-million at the end of May to R5 498-million. The price used for valuing gold was R434,46 an ounce, an increase of R67,65.

The bank's figures suggest that the entire gold output was sold and that the Reserve Bank did not withhold gold from the markets.

With the exception of a slight increase in foreign investments, other components of the reserves declined. Foreign bills held dropped from R74-million to R61-million, and the currency element was R78-million lower at R465-million.

These figures suggest that there was a real outflow of reserve assets — other than gold — during the month, either to repay foreign borrowing or to finance extraordinary imports.

This is somewhat surprising because it had been expected that by now there would have been a return flow of funds into the reserves as financing of trade switched from onshore to offshore. On the other hand, these current account transactions do not really affect the basic reserves.

The outflow of currency and other assets probably accounted for the unexpected tightness in the money market at the end of June. It had been expected that the last monthend would be comfortable for the money market, but as reported in Business Mail on Monday, it wasn't and the bills discounted by the central bank rose from R22-million to R223-million.

Of considerable interest is the sharp drop in the Reserve Bank's holdings of Government stocks. These declined from R449-million to R144-million and confirms market reports that the central bank had all the taps open supplying stock to the market in an effort to mop up surplus liquidity.

The Reserve Bank was the major subscriber to the last Government issue at 9,50% and it would seem as if the central bank was prepared to take a trading loss to perform its correct role in open-market operations to prevent excess liquidity from suffocating the monetary system.

Cape Times 22/7/80
79

'No change' in gold policy

By GORDON KLING

UNITED STATES policy on the role of South Africa's most important export — gold — in the world monetary system was unlikely to be altered by a Ronald Reagan victory in the Novmeber presidential elections, according to the president of the Federal Reserve Bank of Chicago, Mr Robert P Mayo.

"There will be no change on gold," said Mr Mayo in an interview yesterday in Cape Town.

"We've outgrown gold," maintained Mr Mayo, "but I'm certainly not saying it's valueless. Gold is probably a very good investment for an individual and it's an important product. If I were South African, I would probably be investing in gold, even at $600 an ounce."

Mr Mayo, visiting South Africa as a guest of the University of Cape Town Graduate School of Business, said the international monetary system, however, now had to rely almost completely on the growth of Western civilization and on the adaptation of financial instruments to that growth. Institutions such as the International Monetary Fund could help, but currency stability was now essentially an exercise in co-operation among countries of the West.

Mr Mayo was against foreign disinvestment as a tactic to bring about political change in South Africa, but he believed that the campaign itself was significant.

"I feel that many of my friends in the US are misguided in feeling our banks should not have money here because of apartheid . . . I have a basic belief that the progress of blacks in South Africa is enhanced by US investment here."

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More Krugers may come to market

(79)
RDM
30/7/80

By DAVID CARTE
Deputy Financial Editor

SOUTH AFRICANS are paying R170 — or 35% — more than the gold price for Krugerrands because of the shortage of coins.

This premium, which is at record levels, could drop sharply if the Treasury decides, as rumoured by sources in the Krugerrrand market, to increase the supply of coins before the end of the year

The Treasury is reviewing the distribution of coins in South Africa. Krugerrand sellers expect the Treasury to permit the sale of Krugerrands through public tender in future.

They are also confident the Treasury will release "fractional" Krugerrands containing 0.5, 0,25 and 0,1 fine ounces of gold and that the supply of coins will be increased "radically" towards the end of the year.

This would bring prices closer to the gold price If gold prices stagnate, those paying large premiums today could suffer losses.

At present, the Treasury permits the Chamber of Mines to release 2 000 coins a week on to the market through the commercial banks.The banks pay 5% more than the gold price for coins and sell them at 15% more. Such is the demand for coins that all the banks have long waiting lists of buyers.

Those lucky enough to get coins from the banks at a 15% premium on the gold price can sell them on the Johannesburg Stock Exchange or through coin dealers at a substantial profit — currently about R100

Based on yesterday's gold price of $646,75, the banks' price for a Krugerrand would be R567. This compares with the JSE price of R666

The main reason for the limitation on the number of coins released on the market by the Treasury is official policy that South Africa's gold is for the generation of foreign exchange Every coin sold in South Africa represents the loss of the sale of an ounce of gold overseas

But the 104 000 coins sold annually in South Africa represent a fraction of 1% of total gold produced Now that the balance of payments is in such healthy surplus, observers are confident that Treasury will be more generous in the distribution of coins

For the Krugerrand to qualify as "legal tender in the country of origin" and therefore to be free of tax and controls in certain overseas countries, it must circulate in South Africa That is why not only Krugers but fractional Krugers must be sold in South Africa

Another compelling reason for increasing the number of coins for sale in SA is that if the premium here remains at current levels, there will be a continuing incentive to buy coins overseas at near the gold price and to sell them here at large profits This could offset any tendency of sales strategy to protect the balance of payments

The Treasury refuses to comment on the matter, but says a decision on distribution will be taken before the end of the year

The banks will not be sorry if they lose their exclusive right to sell new Krugers. They have not enjoyed accusations that they treat big clients more favourably than smaller ones.

While they have made profits on Krugers in the bull market for gold, these profits have been relatively small in banking group context. In a falling market, the banks are exposed to the risk of losses if the gold price falls to below the prices they pay the Chamber of Mines for coins

GOLD (79) FM 1/8/80

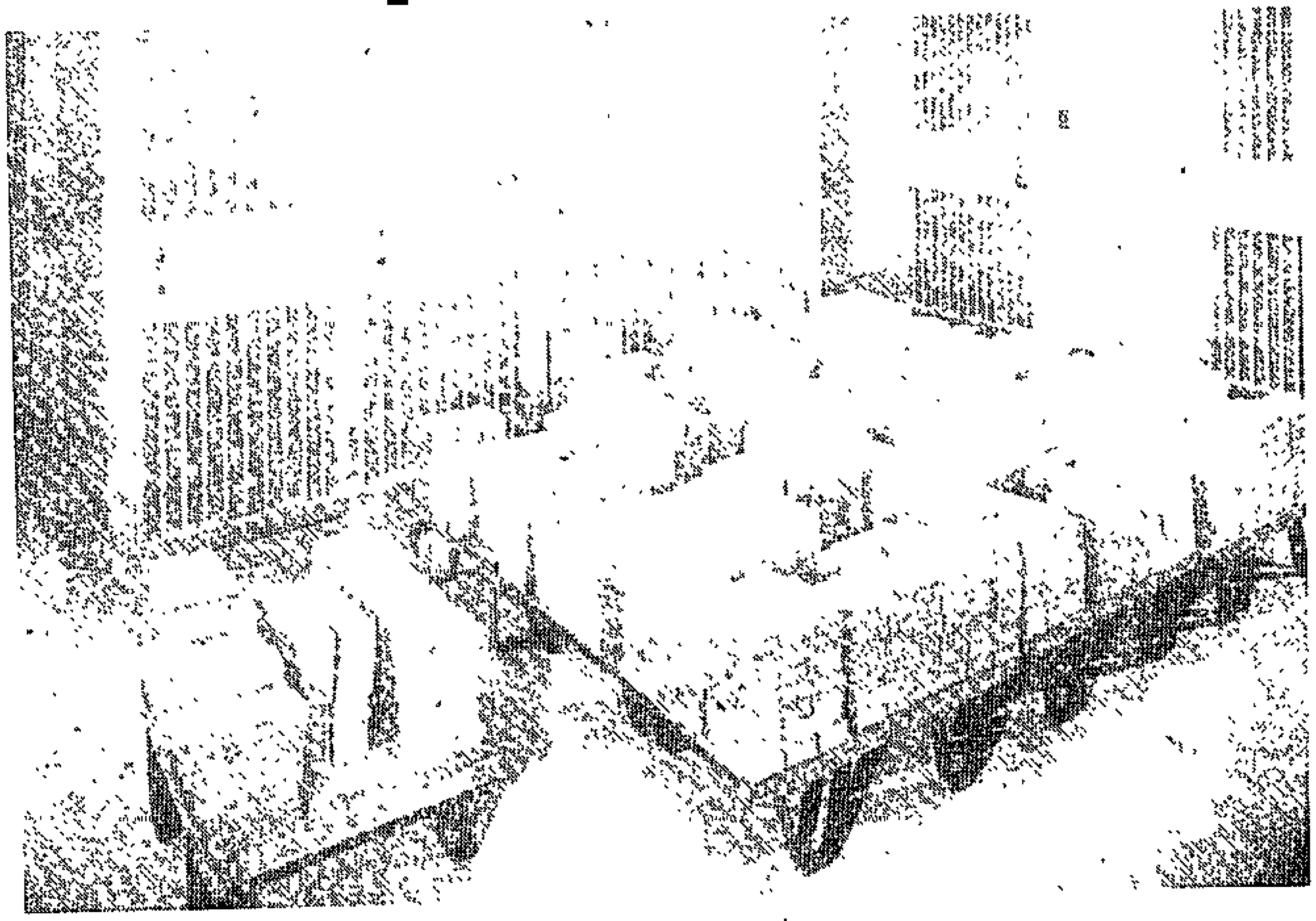
London's futures plans

The London Gold Market and the London Metal Exchange (LME) hope to jointly launch a gold futures market at the beginning of next year — a development which many see as more than useful to London's key role as a gold bullion handling centre. On the other hand, there are those who, viewing the idea conservatively, suggest that such a market could have a de-stabilising effect on physical gold trading.

Last October, for instance, when the LME announced it was looking into the idea of setting up a gold futures market, Bank of England governor Sir Gordon Richardson cautioned that the existence of gold futures markets in the USA "may have reinforced" the wild gyrations in the gold price which had been taking place in preceding months.

Moves towards establishing a gold futures market became clouded earlier this year. After a special LME sub-committee had been deliberating on the subject with the co-opted assistance of two leading bullion dealers, the current head of the London Gold Market, Rothschild's Robert Guy, announced in Tokyo that the gold market was to register a company, Precious Metal Exchange, as a first step towards setting up a futures market. This raised eye-brows on the LME, especially when he also suggested the LME may have had a role to play in helping to draft rules and regulations.

After this surprising development, the two sides then got together again and agreed to set up a joint company, yet to be named, which would sponsor the creation of a gold futures terminal. According to Guy, Precious Metal Exchange will hold shares in the new venture on behalf of the five bullion dealers who currently make up the London Gold Market: Rothschild, Mocatta & Goldsmid, Johnson Matthey, Samuel Montagu and Sharps Pixley.



Bullion . . . London looking to futures

It will now be the job of this new joint company to work out details, such as contract size and the currency in which the new market will be quoted. In line with US markets in New York and Chicago, it seems likely that the lot size will be 100 oz and quotations in dollars in order to promote arbitrage business across the Atlantic, which is a major component of turnover in other London markets having US equivalents, such as copper, coffee and sugar.

Unlike current futures contracts traded on the LME (copper, nickel, tin, zinc, lead, aluminium and silver) it is generally agreed that a gold contract must have a solid clearing house arrangement to underpin its financial security and protect traders. At the moment on the LME, each member is individually responsible for the contracts he enters into — an arrangement known as principals' contract trading. And although the LME, at the behest of the Bank of England, recently introduced a computerised scheme to monitor the level of open positions of participating companies, this does not involve any outside body guaranteeing the performance of contracts.

On London's soft commodity markets such as coffee and cocoa, however, the International Commodities Clearing House, a subsidiary of United Dominions Trust, clears and guarantees trading in return for companies placing deposits with it when contracts are entered into.

The precise form of gold futures clearing facilities has still to be worked out, but most officials of both markets agree such an arrangement is necessary due to the potential volatility of the market in the event of political or economic upsets and the huge turnover it may be expected to attract.

Apart from acting as an adjunct to London's physical gold market by providing traders and others handling the metal with a means of hedging their positions,

signposts

	Current	Week ago	Month ago	Year ago
RDM 100	581,5	564,0	545,6	315,3
% change on	—	3,1	6,6	84,4
P/E ratio	7,2	7,1	6,8	4,8
Div yield	5,1	5,2	5,5	7,5
UK FT Ind.	489,7	486,7	461,4	454,2
% change on	—	0,6	6,1	7,8
P/E ratio	6,8	6,7	6,5	7,0
Div yield	7,4	7,5	7,8	7,1
US Dow Jones	931,9	927,3	872,3	846,4
% change on	—	0,5	6,8	10,1
P/E ratio★	8,3	8,2	7 7	8,1
Div yield★	4,8	4,8	5,2	5,2
Gold price (in US $ on London)	648,5	614,5	660,5	298,9
% change on	—	5,5	- 1,8	117,0
Krugerrand (Rand)				
JSE last sale	666,00	668,0	624,0	284,8
% change on	—	−0,3	6,7	133,8

★Standard & Poor index
Public buying price is 10% below, subject to negotiation

4. Do not write in the left hand margin.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

German Kruger sales pick up

79

RDM 7/8/80

KRUGERRAND sales rose to 255 170 in July from 228 354 in June, but were down from 588 365 in July 1979, says Intergold.

Sales in the first seven months of this year totalled 1 390 000 against 2 860 000 in the same year-ago period.

Intergold said sales in Germany in July were almost as high as the total sold in the preceeding six months.

Intergold says that although July 1980 sales were substantially down on those for July 1979, they are considered satisfactory because of the relatively high gold price this year.

The uptrend is largely because of renewed interest in the German market.

Sales in the first six months were low, with much of the demand being met from coins that were sold back to the market.

It appears that most of these coins have now been absorbed and it seems the German market is slowly becoming accustomed to the 13% VAT introduced on legal tender gold coins from January this year.

Intergold's manager in charge of Krugerrand sales, Mr Kerr Cruickshank, says sales in August are satisfactory and that the US market is stable.

Sales in the second half of the year are usually higher than in the first half

Volkskas gives a warning on gold

AFK 7a STAR 13/8/80

By Pieter de Vos

South Africa should not rely too heavily on the price of gold for continued growth, Volkskas warns in its latest economic report.

The country's gold receipts could amount to R11 000m this year compared with slightly more than R6 000m last year, the bank says.

This estimate — based on an average gold price above 600 dollars — means that even if imports should rise by as much as 50 percent this year, gold alone will be able to pay for 75 percent of imports.

Last year's gold receipts of R6 003m paid for 62 percent of all goods imports.

But a gold price of about 500 dollars is required to keep the current account of the Balance of Payments in balance.

The surplus on the current account will be considerably smaller in the second quarter of the year than the large surplus of R1 977m in the first. Indeed, the surplus might be down to between R200m and R300m, despite an average gold price of 544,91 dollars.

VARIABLE

If trade statistics are adjusted to leave gold bullion exports out of account, the remaining items reveal a trade deficit of R1 692m in the first six months of this year against a deficit of R309m in the comparative period last year.

In the second quarter, the deficit would amount to R1 178m (R99m).

Gold is a diminishing asset even if the higher gold price has extended the lives of many mines. The gold price is variable.

Import substitution and attempts to export more commercial goods and services should continue.

Yet the Balance of Payments should not inhibit growth overnight even if the gold price falls strongly.

South Africa's good credit-rating, the exchange rate which could be used to absorb unexpected shocks and Sasol II which will soon be operating at full capacity should allow enough elbow-room until the next international upswing.

The bank notes that fixed capital formation is already taking place at an appreciable level. Imports of machinery and mechanical appliances show an increase of 43 percent during the first six months of this year and an increase of 51 percent in the second quarter compared with a year ago.

(79)

EDM 11/8/80

Volkskas hits at great gold image

By HAROLD FRIDJHON

A WARNING that South Africa's too strong a dependence on gold was unhealthy and that import substitution and efforts to export more merchandise and services must be continued to protect the balance of payments is sounded in the latest Volkskas economic review.

Gold, which is a wonderful windfall for the country, says the bank, is a diminishing asset even if the higher gold price has extended the lives of the mines. In addition, the gold price remains a variable factor.

But this golden stroke of luck must be used responsibly and for the long-term benefit of South Africa. An irresponsible spirit of waste should not replace a basically healthy balance of payments.

At present, the balance of payments, reinforced by gold, has given the authorities the room to accept economic growth as being of the highest priority and there is little doubt that a high cyclical phase has been entered while the rest of the world is in recession.

This is reflected in the import and export figures. Merchandise imports, including oil and military imports, show an increase of 48% for the first half of 1980 over the corresponding period of last year.

The first quarter's increase was 36,7% and the second quarter's 58%. These figures point to an acceleration in imports which increased only 21% last year.

The biggest increase has been in oil which has gone up in money terms by 110%. If the item in the statistics "other classified goods" which includes oil is left out, imports have increased by 29% in the first quarter and 35% in the second.

These figures confirm that economic growth is in full stride. And if one examines imports of machinery and electrical appliances and spare parts which has increased by 43% in the first six months and at an accelerating tempo, it confirms that fixed capital formation is taking place at an appreciable level.

Exports, on the other hand, increased by 26% in the first quarter and by only 11% in the second quarter. It would seem as if the volume of exports is displaying a negative change.

If the published trade statistics are adjusted to leave bullion exports out of account there was a trade deficit of R1 692-million in the first six months of 1980 compared with a trade deficit of R309 million in the first six months of 1979, with the second quarter producing a deficit of R1 178-million.

The balance of payments would have shown considerable deficits were it not for the strong rise in the gold price.

The bank says the current account surplus in the second quarter will be only about R200-R300 million in spite of an average gold price of $544,91. This means that a gold price of about $500 an ounce is needed to keep the current account in balance.

But the Volkskas economist does not believe that a deep fall in the gold price would inhibit growth. The country could borrow money abroad so that the balance of payments would not be a bottleneck.

There appears to be enough elbow room until the next international cyclical upswing benefits exports and can again strengthen the current account of the balance of payments.

Gold S A's 'last chance'

179

18/8/80

Financial Editor

MOOI RIVER—South Africa and its businessmen had been given a last chance to solve the problems facing the country, Mr Chris Saunders, newly appointed director of Anglo American Corporation, said here at the weekend.

He was speaking at the Natal Regional Congress of the Chambers of Commerce session to discuss the Lombard Report.

Mr Saunders, who is chairman of the Tongaat and Hulett groups, said the underlying reason for the failure to solve problems was 'a failure of leadership'. And after reading the Lombard Report it should be evident that 'we are not going down the right road'.

But a last chance had been presented by the fantastic gold price which gave the country a breathing space. The climate of public opinion was changing, as highlighted to some extent by the recent Press reaction to the Lombard Report.

The decisions which had to be taken now were 'vital for the future of our children and grandchildren' — because 43 percent of the population within South Africa's boundaries was under 15 and of this number 70 percent was black.

'Demographers have indicated that by 2000 there will be 50 000 000 people, 37 000 000 living in the cities, of which at least 25 000 000 are expected to be black.

'Our future will be as a mixed and integrated society.'

Mr Saunders said the trouble experienced at schools and universities in the past six months was of great significance. No South African should be unconcerned about these events because the problems would eventually manifest themselves in every aspect of their daily lives.

He said it was all too easy to blame agitators 'but should not those of us who are leaders, claim the right to a free enterprise society and demand law and order think more [illegible] was a disturbing fear in the country that 'we are no longer capable of shaping our future. Many believe that our military muscle will lead to confrontation and violence as the only solution; others believe that the politics of the past 30 years have destroyed our worldwide credibility.'

The country had three weaknesses.

First was the belief that a single strategy — a master plan — would yield the answer to each and every decision. The effect was to dissolve the complexities into a narrow, rigid division of friends and enemies.

Second was the 'widely accepted fallacy of the fear of negotiation, the worry that whites must not lose face or, alternatively, that we as a nation will always come out second best in any bargain'.

Third was the myth that a free enterprise society may coexist with a political system of independent States.

'Free enterprise can only work within a unitary or, at least, confederal system.

Mr Saunders said that it must be accepted that not only the communist world but the whole democratic society of the West abhorred and condemned the apartheid system and the laws which enforced separate development.

'It's self-indulgent nonsense, bound to lead to disaster, if we believe we can go it alone.'

This golden bonanza

(79) FM 22/8/80

Brian Kantor is senior lecturer in economics at the University of Cape Town. He will be contributing on a regular basis to the *FM*.

If the price of gold averages more than $600 in 1980, it will have increased by 1 700% in 10 years in dollars and more than 1 800% in rands. Consumer prices in South Africa have increased by about 250% over the same period. Therefore, the real price of gold is now about 15 times higher than it was in 1970. Opec has not done nearly as well.

A gold price of $400 at current exchange rates would represent a massive real increase of 1 200%. A price of $600 is almost too large to be properly appreciated.

I have no better idea than anybody else what the price of gold will be tomorrow. But I am aware that the gold market is efficient in the sense that the market price reflects all that can be usefully known about the expected demand for, and supply of, gold. Therefore, the current market price is the best estimate of the future price. If anybody knows better than the collective wisdom of the market, the road to unlimited riches is wide open to him.

The price of gold fluctuates not because speculators are stupid or irrational. There is too much money to be made for that to be likely. It fluctuates because the demand for gold is so unpredictable. What makes this demand so unpredictable is the difficulty in interpreting what central banks are doing to their money supplies today and what they will do tomorrow.

This is a near impossible task. The difficulties are compounded because much of the world's extra wealth, earned by selling oil, is concentrated in relatively few hands in a most unstable part of the world, the Middle-East. When the Americans sought to freeze Iranian bank deposits, they emphasised very strongly the vulnerability of bank deposits to acts of war and, therefore, the advantages of keeping some wealth in the highly portable form of gold.

The real effects of a high real price of gold will occur independently of the rate of inflation which the monetary authorities choose — and I emphasise choose — for South Africa. If they permit a high rate of inflation, then the rand will be less valuable, the price of gold in rands will rise relatively to the price of gold in dollars or D-marks, and so the rand price of gold will rise in line with the higher inflated costs of producing gold.

If we select a low rate of inflation, the rand price of gold will fall against the dollar price as the rand appreciates. Simultaneously, the rand costs of producing gold will rise at a much slower rate.

Independently of the rate of inflation in South Africa, if the price of gold is high in dollars, the price of gold in rands will rise relative to the costs of producing gold, and the expected profitability of mining for and prospecting for gold will be equally high in both cases.

Directed by these potential profits, South Africa will come to use more of her scarce resources to produce absolutely and relatively to GDP more gold and less of all other goods.

We can further increase our capacity to produce gold and other goods by importing more capital, both in the form of money and machinery, and importing skilled and also, as we have done in the past, unskilled labour.

Producing and exporting more gold means that we will export relatively less of other goods and import vastly more to supplement and substitute for domestic production. Unless we dig gold from under the ground to put it back under Church Square, Pretoria, more exports implies more imports.

The order of magnitude of gold exports at a gold price of $600 is perhaps not easily grasped. By way of illustration, gold exports in the first quarter of 1980 were worth more than all other exports put together and more valuable than all merchandise imports. The surplus of total exports over imports in the first quarter was equivalent to 17% of GDP, which is a very large surplus indeed and of the kind seldom seen outside of the smaller oil exporters. In 1980, tax revenues from the gold mines are running at a R1 000m more than budget estimates, which points the way, assuming recent trends in government expenditure continue, to further substantial cuts in income tax rates.

No amount of kicking and screaming by non-gold exporters or by domestic producers of import replacements can alter the real effects of a high real price of gold ie, more gold exports, more imports and, therefore, local production will account for a relatively smaller proportion of local expenditure.

If they succeed in talking down the exchange rate, they will only have talked up the rate of inflation, which will very soon bring them straight back to square one.

It may be asked what will happen to South Africa, and particularly the balance of payments, if the price of gold were to fall? My answer is that the exchange rate can look after the balance of payments independently of the price of gold.

Obviously, a high price of gold is wonderful news for South Africa. Nevertheless, we must recognise that our fortunes are tied very directly to a most unpredictable market. This unpredictability makes economic forecasting and planning for South Africa unavoidably difficult. We can only hope for fluctuations in the price of gold about an upward trend.

What we can do for ourselves is to maintain predictable low rates of growth of money supply. For any given money-supply policy, the higher the price of gold, the more valuable will be the rand and the lower the rate of inflation in South Africa. For any given price of gold, the higher rate of money supply growth, the lower the rate of exchange and the higher the rate of inflation in South Africa. The current high price of gold gives South Africa a rare, golden opportunity to bring the rate of inflation right down, while the rate of growth is rising.

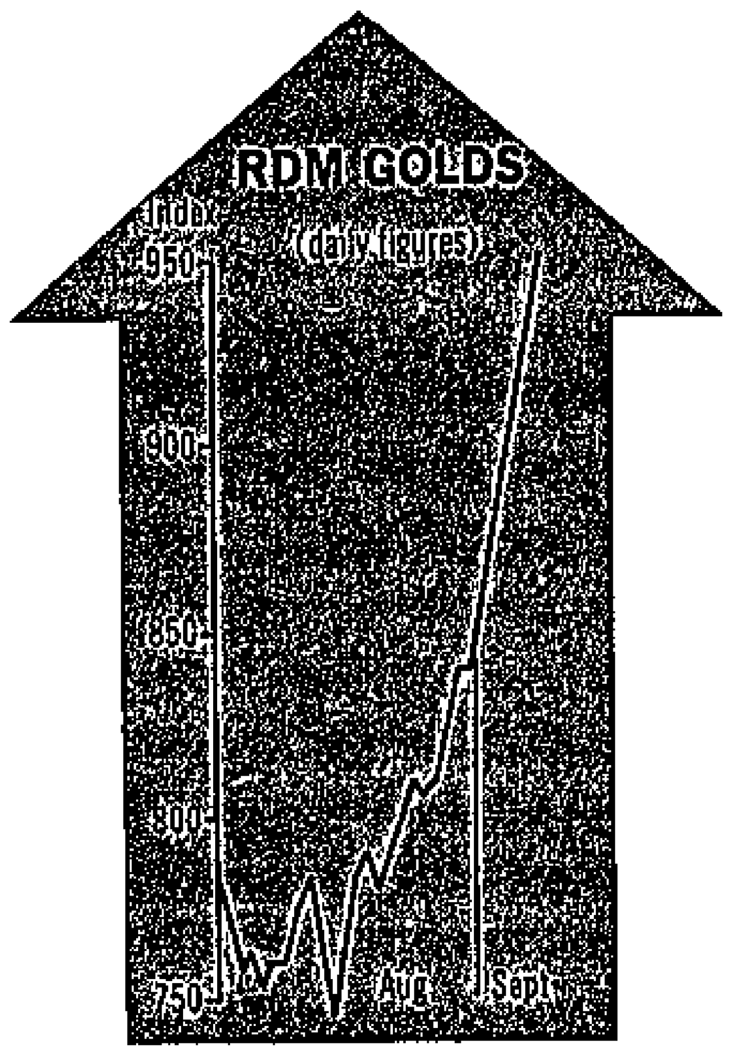
It would be a very sad and inexcusable failure of economic perception if this opportunity were lost.

GOLD (79) FM 12/9/80

Countdown for lift-off

Often, when Johannesburg is a net buyer of golds from New York, South Africans take the view that US investors are a naive bunch when it comes to gold shares. So the story goes, it needs only one of the US gold gurus to say "sell" and the Americans stampede to off-load.

Well, it may seem like that in Jo'burg, but US investment advisers have to be good to survive in the Wall Street jungle. And advice to sell gold shares — even if gold is showing no signs of weakness — can often be attributed to perceptions of better returns in other markets. In fact, though a couple of US analysts recently advised clients to ditch golds, they were in a minority. Merrill Lynch, for example, which probably has more clients in South African shares than any other New York brokerage house, has stuck to its view that gold is set for a further rise.



Some of the recent strength in gold shares may have been prompted by short covering from New York and switching in Johannesburg from industrials that are starting to look "toppy". But since the first week of August when bullion was dithering around $630, the *RDM* Golds Index has barrelled ahead from just over 750 to this Tuesday's 951,0. And though some brokers who have been caught out may cry that these are the last throes of a bull run, the market appears to be giving a solid indication of where gold is headed over the next few months.

The European summer holiday, which is normally a period of seasonal gold weakness, is over. That has coincided with new doubts as to where the world is heading.

Forget the normal shift out of dollars into the strong currencies of Switzerland and Germany. Too many people are developing cold feet over the D mark, particularly with continuing unrest in Poland and the Warsaw Pact's largest manoeuvres for 10 years over the border in East Germany.

In any event the German economy is hardly encouraging, with a growing current account deficit. Switzerland, at the same time, is busy buying to encourage funds back into local SwFr accounts by paying interest on foreign deposits.

But the country is on something of a tightrope — too rapid an inflow could lead to unacceptable domestic inflation.

Sure there is the currently glamorous pound. But sterling's attractions are far from solid, especially as it is artificially supported by the highest interest rates in the West.

Then there is the US itself. Much of New York's shift out of golds was prompted by views that the US recession had bottomed, while falling trans-Atlantic interest rates meant a soaring Dow Jones.

However, the basic US economic problems have yet to be solved. Latest news from Washington is that the Congressional Budget Office is currently revising the Administration's July forecast of $30 billion deficit for 1981.

Now, it seems, the budget deficit is headed towards $60 billion for both 1980 and 1981.

That does not take into account tax cuts being promised by both main presidential candidates. In addition the next few months will see increasing fiscal ease and government spending aimed at getting the US economy back into growth.

Phasing out of domestic oil price controls over the next year should cut US crude imports and could help the dollar.

But US inflation rates are bottoming. If they start to rise while fears of recession recede, Americans could turn back to gold as an inflation hedge.

On security and inflation considerations, all the signs point to a rise to the $720-$750 range over the next few weeks.

That could result in a repeat of this year's earlier physical dishoarding from the East, more than offsetting any retentions by the SA Reserve Bank.

But *if* bullion does not crack in the mid-$700s, we could be into a whole new ball game with a solid base and $1 000 gold an attainable target next year. Along with that price there'd also be a world in turmoil.

High gold price is SA's 'last chance'

(79) RDM 18/9/80

Own Correspondent

MOOI RIVER. — South Africa and its businessmen had been given a last chance to solve the problems facing the country, Mr Chris Saunders, newly-appointed director of the Anglo American Corporation, said at the weekend.

He was speaking at the Natal regional congress of Chambers of Commerce, which discussed the Lombard Report in closed session.

Mr Saunders, who is chairman of the Tongaat and Hulett groups, said the underlying reason for South Africa's failure to solve its problems was a "failure of leadership".

"And after reading the Lombard Report, it should be evident that at present we are not going down the right road."

But, he said, a last chance had been presented by the gold price, which gave South Africa breathing space, and the "climate of public opinion was changing, as highlighted to some extent by Press reaction to the Lombard Report".

The decisions which had to be taken now were vital for the future of South Africa's children, because 43% of the people were under 15 years old, and 70% of these were black.

"Our future will be as a mixed and integrated society," said Mr Saunders.

He made a plea for liberalism, saying that in its proper sense, it called for the provision of equal opportunity.

He warned that there was a disturbing fear in South Africa that "we are no longer capable of shaping our future".

"Many believe our military muscle will lead to confrontation and violence as the only solution; others believe the politics of the past 30 years has destroyed our worldwide credibility."

South Africa had three weaknesses, he said. These were:

- The belief that a single strategy masterplan would yield the answer to all decisions faced. The effect was to dissolve the complexities into a narrow, rigid division of friends and enemies.
- The "widely accepted fallacy of the fear of negotiation — the worry that whites must not lose face or, alternatively, that we as a nation would always come out second-best in any bargain".
- The "myth that a free enterprise society might co-exist with a political system of independent states; that free enterprise could only work within a unitary or, at least, confederal system".

Mr Saunders said it must be accepted that not only the communist world but the whole Western democratic society abhorred and condemned the apartheid system and the laws which enforced separate development.

It was "self-indulgent nonsense — bound to lead to disaster — to believe South Africa can go it alone", he said.

Russian and SA gold tie-up 'on the cards'

STAR 19/9/80

79

The Star Bureau

LONDON — There are tentative indications that Moscow, as part of its efforts to improve control of gold prices, may be interested in some kind of informed marketing collaboration with South Africa.

Such a link might not, in fact, be so odd, says David Marsh of the Financial Times in a long article today.

The two countries already co-operate informally in selling diamonds to the West. As they are also the main producers of platinum, there have been rumours of an informal joint strategy for this metal as well.

"Any kind of collaboration over gold sales would add a new dimension to the gold market," says Marsh. "Both countries are already following broadly similar policies."

WELCOMED

He points out that Moscow has welcomed moves in the West to return gold to greater monetary prominence in international financial arrangements. And South Africa, too, has not been slow to recognise the benefits for producers.

"Could the stage be set for some kind of loose collaboration between the two major producers over the way that gold is channelled to the West?" asks Marsh.

"This question has been tantalising the gold market for years. Now that both countries' improved external payments positions allow them the option of withholding gold from the markets, such co-operation is at least theoretically possible."

One recent event has renewed speculation that some sort of loose marketing agreement may eventually be worked out, he adds.

The gold market has learnt that officials of Consolidated Gold Fields, the London-based mining finance house in which De Beers and Anglo American have significant holdings, have been in contact with the Soviet authorities with a view to possible co-operation

"Both the South Africans and the Russians may be interested in maintaining similar sales policies to keep prices as stable as possible at the present high levels.

"According to a key Soviet watcher at one London bank: 'If they simply agreed that no-one rocked the boat, that would be a big step for the gold market.'"

B.3 OTHER ARGUMENTS CONCERNING ASBESTOS AND ARD's

Before discussing these other arguments in detail, it is necessary first to make a few comments about the way arguments are conducted in general in this field. That is, in what terms and by means of which techniques are these arguments constructed and utilised.

B.3.i WHERE NUMERICAL DATA ARE ABSENT

A notable feature of present-day epidemiology is its heavy and one-sided reliance on quantitative data. Unless arguments can be expressed in precise numerical terms, there is a tendency to deny that there is a problem situation giving rise to these arguments; or to adopt the view that there is certainly no problem there which can be adequately or 'scientifically' dealt with. All this leads to a quiescence with regard to a problem which may be serious but difficult to address in the accepted quantitative way. Much is made of the fact that there are few good national or other records of ARD's, deaths from them, levels of exposure or numbers of people exposed. This is true for most countries outside the UK. In this way a real problem, about which much semiquantitative and qualitative information exists may be downgraded because it cannot be 'scientifically formulated' and therefore 'solved'.[32]

There is a tendency to identify science with one of its techniques or aspects viz. statistical analysis. If then this 'science' cannot encompass reality adequately, it must become more appropriate to reality, rather than reality ignored because 'scientific techniques' do not fit it very well. The practice of quantification first is not just the peculiarity of academic researchers but is given concrete embodiment by the operations of the State in modern society. This becomes an increasingly important aspect of the language of the State, which is used both within and between its various branches. The resources that the State can mobilise in wielding this quantitative language are considerable. Access to data, statisticians, computers etc. create a monopoly together with powerful private interests over the elaboration and use of this language. This shared language constitutes an essential aspect of the structural bond between industry and the State. All this prodigious social weight

Nevertheless one can clearly see the re[lative] distances between
the State and management when one compa
inverventions in the debate. Industry
biased, that of the State more subtle a
factory inspectors are not the same as
lean to their side, this merely underli
distinctness of the two.

The doctors and biostatisticians who pr
data are almost always employed by eith
State, directly or indirectly (e.g. thr
Those employed by management may be exp
positions. Nevertheless State researc
as management employees, generally can
position of management, by virtue of th
between State and management alluded to
researchers the possibility does exist
to take up positions strongly supportiv
public. This is particularly the cas
strongly represented in the very struct
the case with trade unions and environme

State research in the field of occup
acterised by cost-benefit analysis in
to industry and hence national prosperi
dual risks. This is the dynamic behin
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of the unequal dispute between manageme
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the deliberation of experts as the gen
particular and subordinate group, labo
threat of censure for behaviour detrim
whole. Those who pay the costs, labo
ted as susceptible individuals by this
experts seem to decide in a more palat
decided by management. In the proces
opportunity of abiding by this decisio
choices which mask the real alternativ

DEPARTEMENT VAN FINANSIES

No. 1912 19 September 1980

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekendgemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 29 Augustus 1980 teen R431,59 per ons suiwer goud gewaardeer het.

7226

DEPARTMENT OF FINANCE

SS. 79

No. 1912 19 September 1

SOUTH AFRICAN RESERVE BANK ACT, 1

DETERMINATION OF STATUTORY PRICE GOLD

It is hereby notified that, in terms of section 17A of the South African Reserve Bank Act, 1944 (29 of 1944), the Minister of Finance has valued from 29 August 1980, all gold of the South Af Reserve Bank at R431,59 per fine ounce of gold.

This week on the JSE STAR 20/9/80

Dealers expect (79) gold to test $700 soon

By Geoff Shuttleworth

The week was predictably dominated by the gold price and Wednesday was the high point when bullion rose fairly sharply to a shade below 680 dollars.

Many expected bullion to test the levels seen last Friday when it traded to just below 700 dollars after the coup in Turkey. Gains on Wednesday were as high as 400c for heavyweights while lesser priced issues were also active.

The financial rand was steady throughout the week on strong overseas demand, especially from the US after bullish gold newsletters and the crop of Gencorp dividends, and finished at 89 US cents.

Dealers said dips in the bullion price did not encourage selling and they soon expect the gold price to test 700 dollars again. Mining financials were firm shadowing producers and GFSA was a feature after results, rising 650c to 11 500c, despite a cautious attitude to dividend payouts.

De Beers was 35c lower on the week at 1 330 on financial rand considerations and some profit taking after its US buying inspired runup.

Platinums were all sharply firmer in line with free market prices and US buying. Implats gained 110c to 1 400, Lydplats rose 65c to 600 and Rusplat was 35c up at 890. Collieries were mixed to firmer and Cons Murch eased 30 to 970.

The industrial board was neglected and ended on a mixed note with few features. Alderson rose 47c to 187c after the purchase of Nucor and Utico rose 10c to 320.

Put gold income to good use — unionist

(79) ROM 20/9/80

By CHRIS FREIMOND
Southern Africa Bureau

DURBAN. — South Africa faces a "very bleak" future unless the Government substantially re-distributes the nation's wealth, the general secretary of the Federation of South African Trade Unions (Fosatu), Mr Alec Erwin, warned yesterday.

Speaking at the "Work for the Future" conference at the University of Natal in Durban, Mr Erwin said the reallocation of expenditure could start with the present gold tax bonanza.

"If the R2 000-million-plus expected in gold tax were to be apportioned between expenditures such as housing, education and training, transport subsidies and food subsidies, then quite significant and substantial contributions could be made to both employment and the alleviation of the present hardships of the great majority of blacks in South Africa," he said.

But there was little time for action, he warned.

As the predominantly black emergent trade unions grew, they would become increasingly significant and capable of influencing party politics.

Mr Erwin said the trade union movement in South Africa could, potentially, do far more to create new jobs than many of the other possible solutions to the unemployment crisis.

But emergent unions first had to win similar rights to those enjoyed by unions overseas.

And they had to make more substantial inroads into the managerial power to hire and fire, he said.

Another area where unions wanted a greater share of the decision-making was in retrenchment, where procedures could be adopted so that "when the crunch comes, both profits and wages must share the burden".

At the same conference Dr S J Smit, a director of Premier Milling, said an economic slump that could hit South Africa at the end of next year would be cushioned by the strength building up in the economy.

Dr Smit said the current recessions in the United States and the Western world in general were "a worry" because of the influence they would have on South Africa.

Another speaker, Mr L Wilken, managing director of General Motors SA, said a strong economy was the key to significant improvement in the lot of blacks.

However, businessmen still lacked confidence in the economy because of its "roller coaster" trend over the past decade, he said.

RDM 22/9/80. (79)

'All that glisters is not gold ...'

By DAVID CARTE
Deputy Financial Editor

THE SKY-HIGH gold price is not an unmixed blessing, says the chief executive of a leading South African exporting company, and unless this country handles it with kid gloves, it could be an immense threat.

After 15 years of hard-won progress in penetrating the US market, the cost of his company's sophisticated manufactured products in the US has risen 13% in a year — solely due to the strength of the rand.

This exporter fears that over time, burgeoning gold receipts will lead to an even stronger rand and by making South African exports more expensive and imports cheaper, this could make South African industry and commodities non-competitive.

That, he contends, is a threat not only to many companies but to employment and to social peace.

And, as in the case of Opec countries, which have been unable to diversify their economies out of oil because of rocketing oil prices and rock hard currencies, it could lead eventually to a one-product economy.

Considering that the gold price is largey speculative and a measure of international paranoia, it is inherently volatile and therefore a singularly unsuitable single product upon which to base an entire economy.

While the gold price has been low, the exporter further contends, the mines have done their utmost to contain costs. But bonanza profits in the past have led to profligacy.

In the past, large upward movements in the gold price have been followed by huge wage hikes on the mines.

Industry has felt compelled to match these. Higher wages, unmatched by higher productivity, have aggravated inflation, which is already running high because of balance of payments surpluses.

Inflation, the chief executive says, as any economic historian will verify, is also a very grave threat to economic and social order.

According to labour conservatives, wage increases of the order of 100% cause all kinds of social problems from drunkenness to absenteeism and unrest in mine compounds.

And since labour comprises half a mine's cost, these wage increases have pushed up the mines' working costs immensely.

If the process goes on untrammelled, eventually the mines get to depend on the higher gold price.

Another point that concerned the businessman home from Washington was that if South Africa became too dependent on an stratospheric gold price, it could be used as a weapon against the country.

The exporter said the bullion price was easily manipulated. A politically hostile buyer could push the price to levels unheard of, with purchases of just a few billion dollars.

Such a balloon could equally easily be burst by sudden sales of a few billion, which would shake out speculators holding huge amounts of gold.

The ripple effect of a collapse in the gold price would run through the economy and possibly through the townships like a tidal wave. This would do more damage than terrorists and sanctions have ever managed to inflict on this country, he said.

Economists interviewed on these arguments agreed that if gold were to squeeze out other industries, as described, this would be unhealthy. But they pointed out that it is the economies with strong currencies that have low inflation and high growth rates.

If the rand were artificially reduced in value, they said, inflation would take off.

The economists said exporters might suffer from a strong rand in the short term but over the long period, because inflation in a strong currency country would be lower, they would become more than competitive again.

But they conceded the country was too liquid and agreed that Exchange Control should be loosened.

If South Africans were permitted to invest abroad, even on a controlled scale, this would do something to offset the huge balance of payments surpluses which were a major cause of excessive liquidity.

They also pointed out that, unlike in 1974, South Africa had played its gold hand cautiously in the current bonanza. Gold producers had been conservative with wage increases and neither the Government, nor the mines had banked on a continued high gold price.

In addition, the mines and mining houses were ploughing back untold millions in mining and in industry, creating thousands of new jobs.

But the economists agreed that there was a case for South Africa marketing its gold more judiciously in future and perhaps for gold producers to play the Opec game, leaving more of the desireable mineral in the ground for the future.

War blast-off for $718 gold

79

RDM 23/9/80

LONDON. — Gold cleared the $700 huirdle with ease yesterday as fighting raged between Iraq and Iran. It was fixed at $710 in London in the afternoon and at $698,75 in the morning — its highest in eight months. Friday's second fixing was $674.

Immediately after yesterday afternoon's fix, gold was quoted at $709/$711.

Gold continued to rise after the second fixing and its closing range was $718/$721.

The price began its latest surge late on Friday in New York and continued in the Far east on Saturday. Silver and platinum joined the rush into precious metals.

US gold futures opened $19,80 to $29,30 higher yesterday. Comex prices rose $19,80 to $25,00 and International Monetary Market gold advanced $23 to $29,30.

When London opened yesterday, gold was quoted at $703 in hectic trading. It hovered around $700, but fell as investors took their profits.

In Zurich gold breached $700 for the first time since February 22.

Some London dealers said Middle Eastern investors, who were heavy sellers on Friday, were buying gold back.

Silver was quoted at $2,2802/300 an ounce after opening at $2,250/2,275.

Platinum was fixed at $719 in London in the morning — $24 above Friday afternoon's fix. Palladium was quoted at $218 to $222 — about $11 up from Friday's fix.

Dealers said the rise in both metals was solely attributable to fresh speculative interest prompted by the rise in gold and silver prices on the Iran-Iraq conflict.

Zurich gold rose to $702/$705 at mid-session, with volume large and trading frantic.

Reports of the bombing of teheran airport by iraqi planes gave the price a new boost after it had drifted down from the opening $701/$704.

The dollar closed higher in Tokyo, closing at 212,55 yen. Its Friday close was 210,84 yen.

Gold rose $18,01 in Hong Kong to close at $703,65.

The dollar opened higher on some European markets, but fell in Frankfurt, London and Paris.

But in London, currencies were little changed after a quiet and featureless morning's trading.

The dollar and sterling retained their firm opening tone, with sterling rising several points, and the dollar continuing to firm after the Frankfurt fixing, they said.

The dollar was quoted at midday at 1,7976/83 marks and 1,6470/80 Swiss francs after opening at 1,7975/85 and 1,6458/68.

Closing prices: London $718; Paris $691,92; Frankfurt $700,52; Zurcih $709,50; Hong Kong $703,65.

Dealers said dollar was tending firmer in anticipation of higher Eurodollar rates, and benefiting relative to Continental currencies and the yen in the wake of Middle East fighting.

NEIL BEHRMANN reports that Middle Eastern buyers made large purchases of precious metals yesterday.

Sources in London said the Iraqi-Iranian fighting did not pose an immediate threat to world oil supplies.

Middle Eastern investors bought gold, and continued their buying of silver which mounted last week.

Besides fears over the Middle Eastern clash, bullion markets are worried about military activity in the western Soviet Union and East Germany. West European governments are worried that this movement could be aimed at Poland.

Another factor helping the gold market is the continued absence of the Soviet Union, leaving dealers short of supplies.

Americans are moving into the bullion market after being bearish over the past few months.

In Chicago a month ago one of the few american gold bulls, Mr Maury Kravitz told me that $720 would be a crucial point for the gold market.

At the time, gold was trading around $645. He was cautiously bullish, suggesting a trading range of $520 to $720 dollars — a wide band.

Mr Krawitz, who has a large following and has much weight in the US gold market, stressed that if gold broke through $720 this year it would move to $1 000. The $720 band was more important than the previous peak of $850. He backed his views from a chartist's viewpoint.

Mr Kravitz trades for Howard Ruff, who writes a newsletter and has a television programme. Mr Ruff's newsletter is lightweight, but he has a huge following.

Whether Mr Kravitz is right or wrong in his chart predictions is a moot point, but his predictions could be self-fulfilling. If gold breaks through $720, his clients are likely to be heavy buyers and precious metals prices could rise sharply on the back of American buying.

This is what happened last year. The International Monetary Market in Chicago played a major part in pushing gold through $300 in September and October last year.

At the time many Americans were short and had to cover in — both on the silver and gold markets. But there were many bulls as well.

With the shortage of new mine supplies and the likelihood that hoarders will not part with their gold, price movements could be violent in the months ahead, moving up quickly and then reacting when traders take profits.

The overall trend remains upwards.

Gold fever cools at $710

RDM 25/9/80 (77)

LONDON. — Calm returned to the precious metals markets yesterday as a calmer view was taken of the Iran-Iraq conflict. Gold was fixed at $710,50 in the afternoon in London and at $711 in the morning. Tuesday's second fixing was $711.

Sterling and the dollar eased against other currencies, especially the mark, failing to hold gains made in the past two days.

Gold closed steady at $710/$712 in London.

Dealers said the market had been volatile but contained within a tight range of $708/$713 almost all day

The New York spot price for gold was $710,50 shortly after yesterday's opening.

Gold closed at $709/$712,50 in Zurich compared with Tuesday's close of $713/$717.

Earlier it fell to $705 from the opening of $708/$712 But it soon recovered to a high of $712/$713 before consolidating around $710.

The price consolidation was not upset by new reports from the Middle East war front and the pool banks narrowed their spread to $3 from $4.

Dealers said demand for gold in Zurich was much less than earlier this week when the price rose about $40 and above $700 for the first time in eight months

Silver was in demand, moving up to above $24 an ounce after opening at $23,25 Strong Middle East buying interest was the main factor.

On spot markets, the price of gasoil, used as diesel fuel, rose $10 for the second successive day, to $300 a ton.

The dollar was lower in Frankfurt at 1,8006 marks after 1,8146 marks on Tuesday, but later recovered some ground. The dollar suffered from profit-taking after gains caused by the belief that the US was less dependent on Iraqi and Iranian oil than other industrialised countries.

CLOSING prices: London $711; Paris $703,17; Frankfurt $711,86; Zurich $710,50; Hong Kong closed.

The same considerations pushed up sterling earlier, but the pound was unable to sustain all the gains which took it to five-year peaks Sterling traded around $2,4050 and 4,3385 marks yesterday.

The yen was also firmer on hopes that the fighting might soon end. The yen had been among the currencies hardest hit by the Middle East hostilities because of Japan's dependence on Iraqi oil

The yen firmed in London to 216 to the dollar from its opening 217. On stock markets, gold-mining shares were lower than on Tuesday.

Bullion dealers said that gold investors had taken up long positions on Tuesday after news that Iran's Abadan oil refinery had been set ablaze by Iraqi aircraft and artillery attacks.

The decline in the gold price reflected to some extent clearing by investors of these long positions.

The London morning fix was in line with Tuesday's New York close of $710/$712. Gold reacted nervously in New York on Tuesday to news of the conflict between Iran and Iraq. The Abadan blaze report acted as a trigger for a sharp speculative rally and gold touched its highs of the day at $727.

But European operators, who earlier in the day were left with long positions when the market declined on untrue reports that the American hostages in Iran had been released, stifled the rally as they sold into it.

American buying, coupled with trade buying which included arbitrage buying against Europe, helped the rally. But it quickly ran out of steam as selling increased around $717 in the spot month.

Contracts traded at Monday's highs of $727 on the Comex, but the figure did not represent the picture on the gold market where the highest quote was $720/$722.

Market analysts say holders of long positions appear nervous, for if the market is to gain further the conflict must worsen. The increasing belief that world oil supplies may not be as badly curtailed as previously thought contributes to nervousness.

In Tokyo the dollar closed at 218,20 yen yesterday — up 5,65 yen from the previous close in frantic trading that followed a public holiday on Tuesday.

Market sources said the selling of yen was initiated by foreign banks, and was joined by Japanese manufacturers.

Sources said the Bank of Japan did not intervene.

Etheredge gives forecast on gold output

STAR 13/6/80

(79)

By Geoff Shuttleworth

South Africa's existing mines will be able to produce on average 650 tons of gold a year to the year 2003, based on a gold price of 650 dollars an ounce, Anglo American chairman of the gold and uranium division, Mr Dennis Etheredge, told the London Metal Forum.

He said that this estimate took into account only existing operations, excluding those of Beatrix and Erfdeel.

Using base prices of 450, 650 and 1 200 dollars an ounce, and increases in costs at a constant rate, he said that in all three cases, it is projected that total South African gold production will remain in a relatively close range around current production levels until about 1987 and then gradually fall off to about 350 tons at the turn of the century.

"What is noticeable is that at the lower base price gold production peaks at a much higher level in about 1987 and then falls off more sharply than in the case of the other two price levels. It indicates that gold production after the turn of the century will be considerably lower than is forecast in the other examples.

"Looking further ahead, we have projected the cumulative amount of gold likely to be produced up to the year 2003, again using the three arbitrary price levels. Taking the mid price of 650 dollars an ounce, which is close to the levels gold has been standing at over the past months, we expect these mines to produce more than 13 000 tons of gold in the next 20 years. Add to this a modest estimate of production from new areas which have not been included in this analysis and the total may well approach 20 000 tons."

"This being the case, it is to be expected that future investment in the South African gold mining industry will also remain at a healthy level. In order to achieve the projected cumulative total of some 13 000 tons of gold over the next 20 years or so, more than R27 000m in real terms will need to be spent by the industry in any new gold mining projects, of which there are certain to be a number."

ALTERNATIVE

While the main thrust of his speech concerned South Africa as a reliable supplier, he emphasised that the only alternative source of a majority of these minerals was Russia.

In this respect South Africa ranked as the main source of supply of precious metals that included gold, platinum and diamonds, and of steel and alloying commodities, chrome, manganese and vanadium, and as one of the three most important suppliers of coal and uranium.

In terms of industrial minerals South Africa ranked high as a major source of antimony, asbestos, fluorspar, andalusite, titanium metal, copper, lead, nickel and silver.

Between South Africa and Russia, the two provided 95 percent of the total platinum supplies, 90 percent of its manganese and ferromanganese, 69 percent of its vanadium, 64 percent of its chrome and ferrochrome, 50 percent of its coal and an important proportion of other critical minerals.

RDM 15/10/80

'Reserve Bank's gold sales policy modest interventionist'

(79)

LONDON. — The South African Reserve Bank appears to have pursued in recent months a modestly interventionist gold sales policy, both withholding supplies and possibly reinforcing sales at selected price levels, Anglo American's gold and uranium division chairman, Dennis Etheredge, said in London.

The bank's objectives would seem to be mainly to brake or prevent sudden or sharp price falls, though it was possible it might also sometimes try to dampen price surges to promote greater stability, he told Reuters in an interview.

But although South Africa had the ability, temporarily and modestly, to influence the price in this manner, this ability was limited by its foreign exchange requirements and should not be overstated.

He would certainly guess the Reserve Bank was partly responsible for gold's failure to breach $600 several weeks ago when several times it bounced back up.

The bank seemed to have acted similarly again last month, he added.

He said it was plausible the bank might have reinforced sales to soften gold's recent thrust beyond $700, adding that these were his personal views and he had no direct knowledge of such action.

He said such Reserve Bank policy was likely to be applied selectively and it would probably act only when the market appeared suddenly to turn sour or become too exuberant.

If the market became too exuberant, however, it would no doubt appreciate the importance of timing and that such a policy pursued in certain uncontainable market atmospheres would be futile.

The bank's role had changed fairly subtly but discernably to that of marketing agent from sales agent, and the net effect would likely be a reduction in routine supplies to the market of 5% to 10% from anticipated 1980 output.

He noted this projection excluded the issue of gold transacted under Reserve Bank gold swap deals, details of which were speculated about widely but known to few other than the unnamed parties involved.

Some analysts in London guesstimate about 4-million oz fall due for unwinding this year and believe the Reserve Bank could well take back into reserves half of that, and resell the rest back to the parties involved.

South African gold reserves at end September totalled 12 030 000 oz, some 200 000 oz up on the end of the previous month and about 2-million oz higher so far this year.

Mr Etheredge said expectations that South Africa should retain a healthy balance of payments current account surplus up to at least mid-1981 would enable the bank to maintain a flexible marketing profile.

But despite the importance which South Africa attached to relative gold price stability, it had neither the intent nor resources to manipulate the market and would continue regular sales from current production. — Sapa-Reuter.

By 1977, follow-up studies of this same group by the same research team revealed that the death rate for both cancer and asbestosis was almost doubled. The larger contributor to excess deaths was cancer.

One of the members of this research team[30] has revised some of the original assumptions to take account of these new facts apparent since 1977. Using these revised assumptions on the data he has estimated that exposure to 1f/cc (i.e. half the BOHS standard) over a 50 year period might increase the death rate by 25% after retirement.[30] Subject to the same conditions as many as 1 in 14 workers might develop asbestosis. He also believes, along with most other agencies, that for lung cancer there is no definite safe level of asbestos exposure, below which there is no risk of developing it.[30,57] With mesothelioma there is a considerable risk for truly trival levels of exposure.

When the terrain of assumptions and extrapolations is exhausted it becomes clear that the real problem of the hazards of industrial exposures to asbestos is one of allowing sufficient time to elapse to complete the lag period before cancers develop before it is really possible to prove or disprove the validity of any argument relating to safe levels.

The current level of exposure below which there are supposed to be no risks to health has only been in official existence since 1971. The definite proof is still between 5 and 20 years away in the future. Taken together with the improbability of there being such a safe level for a carcinogen, a study in the USA of gold miners working in mines contaminated with amosite in concentrations of less than 2f/cc in the air is very disturbing. A significant number of excess deaths from ARD's, was found amongst these miners.[31a]

B.2.iii NO SAFE LEVEL

It seems that the argument is inexorably moving in the direction of one where no safe level exists through a succession of attempts to create safe conditions which have all subsequently proved

It goes without saying that where organisation at all, the position work is likely to be grim indeed vention minimal.

In summary then, principal partic State, management and labour. these parties is manifest and si peculiar nature of the State's i of - academic arguments presente

But this 'neutrality' often rest assumptions shared with industry tions, phrased in the State lang a range of possibilities that dc interests of industry, conceivec

Exchequer Balance, 30 September 1980 | Skatkissaldo, 30 September 1980
Cash | Kontant
Totals... | Totale | 580 813 285 | 2 495 91[illegible] | 580 813 285 | [illegible]

(a) Section 1 of Act 38 of 1977.
(b) Section 2 (1) (a) of Act 54 of 1971
(c) Section 8 of Act 18 of 1936
(d) Section 7 (1) of Act 53 of 1957.
(e) Section 19 *bis* (1) (a) of Act 63 of 1962
(f) Section 22 (4) (a) of Act 25 of 1969.

No. 2093 79 17 October 1980

SOUTH AFRICAN RESERVE BANK ACT, 1944

DETERMINATION OF STATUTORY PRICE IN GOLD

It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 30 September 1980, all gold of the South African Reserve Bank at R369,31 per fine ounce of gold.

98 7269

(a) Artikel 1 van Wet 38 van 1977
(b) Artikel 2 (1) (a) van Wet 54 van 1971
(c) Artikel 8 van Wet 18 van 1936
(d) Artikel 7 (1) van Wet 53 van 1957
(e) Artikel 19*bis* (1) (a) van Wet 63 van 1962
(f) Artikel 22 (4) (a) van Wet 25 van 1969

No. 2093 17 Oktober 1980

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekend gemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 30 September 1980 teen R369,31 per fyn ons goud gewaardeer het.

Gold tests $650 support level

RDM 21/10/80

(79)

LONDON. — The gold price slipped further yesterday, continuing the weakeness that set in in earnest in New York on Friday. Gold was fixed at $657 in London yesterday afternoon and at $664,20 in the morning. Friday's second fixing was $670,50.

Gold closed at $651/$653 in London.

After London closed on Friday, the price weakened in New York and continued to drop on Saturday in half-day trading in Hong Kong.

Gold opened at $665/$667 in London yesterday on renewed buying in Hong Kong at $655.

As gold later eased to $661/$662 in an active but thin market, dealers said the recent overall bearish trend should continue in the absence of any significant news.

Gold closed at $665/$666 in Hong Kong compared with Saturday's close of $660/$661 and New York's Friday finish of $656/$658.

Dealers say widespread disenchantment set in on gold's lack of follow-through once it pierced $720 about a month ago on the Persian Gulf war.

Middle East operators subsequently turned sellers, significant dishoarding set in, and more recently the steady dollar and rising US interest rates have contributed to a bearish tone, with US futures markets providing a lead in the downturn.

The Iran-Iraq war is far from resolved, but barring a major escalation or involvement by other Middle East states, which seems unlikely, it will increasingly assume background status as an influence on the market.

A resolution to the war or the US hostages situation could prove sudden price depressants — even at expected lower levels.

But the market has shown its resilience above $600 — and that would appear to be a definite floor mark

Election of Mr Ronald Reagan to the US presidency — he appears the hawkish candidate — could give the gold price a fillip. On balance, however, the election is probably having little impact on gold at this stage.

"Last week's Australian elections underlined too well the fallibility of opinion polls," said one dealer.

The dollar opened higher on European foreign exchanges. In Tokyo it was unchanged against the yen, closing at the opening 208,20 yen. Trading was quiet, and the dollar was traded near 208 all day.

CLOSING prices: London $651; Paris $668,71; Frankfurt $662,46; Zurich $656,50; Hong Kong $665,70.

The dollar and sterling rose all day in nervous one-way trading to close sharply higher against the mark. News of a Dutch bank rate cut had little impact on the market.

The dollar closed at 1,8620/30 marks after opening at 1,8520/30 and closing on Friday at 1,8420/30.

Sterling rose six pfennigs to close at 4,5075/5150 marks — a four-year high — compared with the opening 4,4612/54 and Friday's 4.4460/4550 Close.

The Bundesbank acted to prop up the weakening mark. It sold more than $36-million in an effort to slow the mark's decline, but in afternoon trading the dollar rose above 1,86 marks — its strongest showing for six months.

Dealers said West Germany's mounting balance of payments deficit and a gloomy forecast at the weekend by a member of the Bundesbank council influenced the market.

NEIL BEHRMANN reports that liquidation in New York and Hong Kong is the major short-term influence on the gold price. Prices declined because of rumours that the American hostages in Iran would be released before the US presidential election, and Hong Kong speculators have been diverting their attention from a slack gold market to their booming share market.

Gold has decisively broken through the Swiss and German bank support level of $670 and $650 is regarded as crucial.

The market has not been helped by the thin fabrication demand and more than sufficient secondary supplies from dishoarding have offset the lower sales from South Africa and Russia

Dealers are also turning bearish on precious metals because of the first signs of slowing Western inflation.

When the latest six-monthly inflation statistics are considered against the 12-month returns there is evidence that inflation is starting to fall. In the 12 months to August, OECD inflation was 12,7%. Over the six months it declined to 11,1%. Compared with higher 12-month rates, annualised inflation in the six months to August was 11,3% (12,8%) in the United States, 7,8% (8,7%) in Japan, 4,9% (5,5%) in Germany, 13,5% in France (13,6%), and 16,2% (22%) in the UK

Even Turkey's inflation slipped from a 12-month rate of 88% to 49% in the past six months.

More economists are tending to believe that the third-quarter recovery in the US economy was merely a blimp and the overall direction is still downwards.

According to Metals Analysis and Outlook, the deceleration of OECD industrial production gained momentum in the closing months of 1979 and the first half of 1980.

The combiation of almost universal fiscal and monetary restraint and further increases in the Opec oil price accentuated the downturn.

"Consequently the immediate international economic outlook is gloomier than previously projected."

By the second quarter of this year, the US economic recession had spilled over into Europe. By mid-year US industrial output was 7,5% below the level of the previous year.

Even in Japan the growth rate has slowed down markedly and the Government has introduced measures aimed at stimulating economic activity.

Some economists fear that the recent sharp increase in US interest rates will abort any recovery and that the Fed is still intent on curbing monetary growth and hence inflation

Had there not been any Middle Eastern diversion into precious metals, it is probable that the gold trend would have been downwards for several months past.

$500 or $850 — pay up and choose

30/10/80

By DAVID CARTE
Deputy Financial Editor

IF the gold price falls below $595, it will plunge to $500 in hours. On the other hand, if it goes above $720, it will rocket to $850, pull back for a few days, then rise to $1 050 before coming back to $850.

These are the forecasts of Dr Harry Schultz, who at $2 000 an hour, describes himself as the "world's highest-priced consultant".

Dr SCHULTZ

Dr Schultz, who bases his forecasts on charts, is in Johannesburg sussing out the investment scene and advising clients, whom he will not name.

He says the chances of gold's rising to $1 050 are 70%, and 30% for its falling to $500.

On South African industrials generally, he says that unless his advance-decline line rises to confirm the current new highs of the industrial market, there could be a 10% to 15% sell-off.

But if the advance-decline line does confirm the new highs, industials will gain 14% to 18% "very quickly".

In his most recent newsletter, dated September 8, Dr Schultz tipped OK, SA Breweries and Tiger Oats. Althought the share prices have not yet taken off, he has been gratified at the results of OK and other SAB companies in the past few days.

Dr Schultz claims Senator Owen Horwood, Mrs Margaret Thatcher, Sheikh Yamani, Mr Franz Josef Strauss and other international heavyweights are "aficianados"of his.

He claims to charge companies a retainer of $28 125 a year for the privelege of talking to him daily on the telephone. He also writes an investment news letter at $25 a copy,

He has long been a gold bug and a prophet of doom for the West, warning that Russia is set on taking Zimbabwe and South Africa and that it is only a matter of time before Europe and America will hear the rumble of Soviet tanks.

Dr Schultz has strong Rightwing political views and his latest newsletter "revealed" from his own intelligence sources that Mr Joshua Nkomo, backed by Russia, planned a coup d' état in Zimbabwe.

But, he reassures readers, he is doing something behind the scenes.

He claims to have correspondents in 25 countries monitoring every stock market in the world and that he has been right 85% of the time.

He makes a strenuous effort to talk to as many newspapers as he can and carries a PR kit, in which various writers call him, among other things, the "Einstein of finance".

$850 more likely than below $600

RDM 31/10/80

79

By ALEC HOGG

THE international gold price is more likely to rise above $850 an ounce before it goes below $600, says an investment adviser, Mr Len Gullan.

He says in his newsletter, Hard Asset Digest, that his reasoning is based on the views of respected chartists (both in SA and the US) who still see a move to between $850 and $1 170.

"I think many US investors have stayed out of the market pending the outcome of their presidential elections. However, many will return as buyers regardless of who is elected," he argues.

Mr Gullan expects the gold price to peak somewhere above $850 before the inauguration of the US president in the latter half of January.

Thereafter, however, he expects the price will slide to an ultimate bottom of below $550 because the new US president will probably try to contain the inflationary spiral and strengthen the dollar.

But Mr Gullan still believes that ultimately these efforts will fail, even though they will depress the gold price as long as they look like succeeding.

His long-term prediciton of a gold price of more than $2 500 in 1983-84 still stands.

Mr Gullan has refreshingly new ideas regarding investement in Krugerrand.

He suggests arbitraging between the different sizes of Krugerrand, thereby taking advantage of the different premiums being offered.

For example, if the 1 oz coin is trading at a premium of 35% above the gold price, and the half-ounce at a 25% premium, it will pay one to switch into the smaller denomination because the actual gold holding will increase.

"This arbitrage process can be used to advantage whenever there is sufficient difference in premiums between any of the various sizes of Krugerrand," he notes.

"So, keep an eye on the prices and premiums, because quick and clever arbitraging can significantly increase your holdings of gold over a period of time."

Sun. Tribune 9/11/80

(79)

GOLD PRICE PLUNGE GIVES JSE THE JITTERS

NERVES were on edge on the Johannesburg Stock Exchange this week as investors watched the gold price shed 60 dollars in a matter of two days to 597 dollars and prices on the gold sector tumble across the board.

By TONY HUDSON, Finance Editor

Generally losses were confined to 100 cents or so as the shock was cushioned by the falling financial rand rate, which kept most overseas speculators out of the market. However, some of the heavies came in for a caning with Harties dropping 1 350 cents on the week to 9 750, Freguls 700 to 8 200 cents and Western Deeps and Randfontein both shedding 600 cents.

However, the story could be different next week if the gold price continues to drop and the market could well be in for a major shake-out.

Hardest hit will be, of course, golds but as the rest of the market is in a twitchy state other sectors could also suffer a wave of selling.

Tribune Chartist Tony Henfrey feels that there is still some steam in the market, but admits that it is at present totally unpredictable.

Another minus for the market is long term interest rates, which have suddenly started to move with Escom long term stock rising from 11,5 percent to 12,25 percent in less than a month.

With yields in the industrial sector running at between five and eight percent, nervous investors could well decide to go back into the far more secure money market where yields are again beginning to look healthy.

This in turn, say brokers, will leave the market to short term speculators who cannot use the money market at the short end because the yields are still too low, and this could make industrials even more sensitive to movements in the gold sector.

Just where is the price going? No-one seems to know. Johannesburg chartist Dr Clive Roffey told a seminar on Thursday that the price would forge ahead to 880 dollars by Christmas, and then only start a long fall back. Tribune Finance's Tony Henfrey says it looks as if the price is heading for 560, where he says there is a major support area.

Writing in the Hard Asset Digest, Len Gullan predicts a peak of between 850 and 900 dollars by mid January and then a slide back to 550.

However, he adds the rider that if the American hostages are released and if Reagan announces details of a campaign to counter inflation and boost the dollar, gold could go into an immediate downward slide.

There are signs that the hostages will soon be released and the economic pundits are confident that Reagan will put the US economy to rights, so Gullan's viewpoint could well be correct and gold will come back to 550.

... signed for in certain socie- ... not regarded as essentials. ... to rescue his hero ... xisted in Cape Town in 1780 ... A similar task ... looked at the circumstances ... of pre-colonial ... certain people didn't ...

... when do we stop asking questions about the tables?

outside Africa, this continent ...

The next question to be asked is as follows: even if there were such things as objective facts, surely one must be objective about choosing them? This is also an accusation that historical materialists have levelled at the "bourgeois" historians. Surely, by choosing facts about great leaders, about men, the ruling classes rather than about the oppressed classes, the writing is presenting a one-sided view of history. This question of which facts one chooses can be taken even further: what source of material one uses. If, for example, an historian in the year 2000 used South African Parliament records for the bulk of his writing about the 20th century, he would get a totally different picture from someone using interviews, perhaps, with people who lived through 1976 and 1980, and who came from the townships. Then, it also depends on whether the people interviewed are pro-government (this is actually possible!), or radical, or whatever. Another example: someone writing a book about Southern Africa: does he question the South African leaders, or Swapo guerillas, or both? Does he try to write a compromise between the two views, and if he does this latter, is this what is meant by "objective"? We will come back to this last point in another form.

Many non-African, but also African, historians saw the written document ...

This question of who, or what one writes about, is tackled by the historical materialists (maybe not all) as follows. Who one writes about, and the stance one adopts depends on one's own class position - if one writes about the ruling class and the male "heroes", one is more likely to belong to the ruling class itself, or serve it. On the other hand, if one writes about the oppressed classes in history, one usually either belongs to an oppressed class, or identifies with one, or is a member of the progressive intelligentsia. This type of betrayal of one's ideology depending on who one writes for and about, which is revealed in the choice of fact, and even type of analysis of facts solves the problem I was talking about at the beginning of this essay - i.e. if people are never objective, how does one know what historian to rely upon, and when to trust the historians one reads? The answer is perhaps through analysing, not necessarily overtly, the presentation, logic and selection of the type of fact of the writer.

There is a further point/...

Spotlight on gold, strategic value of SA minerals

11/11/80

579

econ

By JOHN MULCAHY

THE conflict between Iraq and Iran, highlighting the deterioration of prospects for world security, and the general recession in Western industrialised countries, have thrown the spotlight on gold, and the underlying strength of the market over the past few months bears testimony to the widespread concern.

The London Mining Journal, in its quarterly review of South African gold shares, points as well to the spotlight which security problems have brought to South Africa in another mineral context. This country is the major supplier of gold to the West and is also the major supplier of a wide range of strategic metals, with many governments coming to realise their dependence on South Africa.

South Africa and Russia provide about 95% of world platinum supplies, 90% of its manganese and ferromanganese, 97% of its ferrochrome, 69% of its vanadium, a major portion of its diamonds and 80% of the gold.

While exports from South Africa genuinely represent surplus production, which is generated specifically for export in the classical free market context, almost all exports from the USSR are of minerals that it requires in its domestic economy, and the export allocation reflects the need to earn foreign exchange.

Little of the supply from the USSR can be ascribed to surplus production, and this leads to great vulnerability of supply. For this reason at least, South African supplies of strategic materials are of great importance and it seems likely that the foreign policy of many major nations towards this country may be modified in the comparitively short-term.

A significant change which has taken place in the gold market over the past year is that the investment and speculative demand element has taken over from fabricated jewellery as the "market-maker".

In 1979, the offtake for hoarding and investment overtook jewellery demand for the first time since 1973-74, and there has been a substantial drop in jewellery demand in 1980.

(In fact, the fall has been estimated by Robert Guy of Rothschild at 60% to 70%).

According to the Mining Journal, price accounts for the substantial fall in jewellery demand, but it is the far greater awareness of gold generally that accounts for the investment demand and has given it a far firmer base. This is shown not only by the sales of coins, but the interest in gold and gold futures markets.

Trade on the US futures markets has increased to contracts representing 32 000 tons in 1979 from only 23 tons in 1974. Thriving gold futures markets exist in Hong Kong and Singapore, a futures market is expected to be established in London next year, a gold options market is contemplated in Holland, Japan is considering a gold and gold futures market, and a further market is likely to develop in Malaysia following the lifting of restrictions in that country.

South African foreign exchange reserves are now in a far stronger position than some time ago, and the Reserve Bank is able to modify its sales policy to take account of fluctuations in demand. It seems unlikely that the bank will withhold significant quantities of gold, but it can — and does — withhold sales during short periods of market weakness.

This policy has no effect on the cash flow to the mines, as the Reserve Bank buys all gold offered, and payment is made on the effective date of delivery, regardless of whether the metal is sold overseas directly, or temporarily held in stock.

The Reserve Bank has a special interest in the market and in its stability, but its activities are now supported, indirectly, by a number of other central banks — particularly those outside Europe — which are buyers at points of market weakness.

The Mining Journal says that periods of market weakness must be expected from time to time, but the main threat to stable pricing is the misjudgement of trends by operators in the futures market.

If a sharp rise is expected, but does not materialise, the impact of stop-loss orders can be marked, and can sharply accentuate the downward trend in a period

GOLD (79) FM 14|11|80

Measuring hoarding

Concrete evidence of the scale of Middle Eastern gold hoarding is now starting to emerge, thanks to the Swiss customs authorities

After years of secrecy, they have decided to publish the amount of precious metal entering and leaving the country each month

These figures show that between January and July this year, 153 t of gold, or more than 20% of SA's production, was shipped home from the Zurich market by five Middle Eastern oil producers, Iraq, Kuwait, Saudi Arabia, the Arab Emirates and Iran

Iraq took the lion's share of 75 t. Moreover, these five states took 61 t of gold home from Switzerland last year, 130 t in 1978 and 198 t in 1977.

SA, too, has been repatriating gold, taking back 1,5m ounces in April this year, worth then about $1 billion.

A variety of explanations of why these countries want their gold at home rather than safely stored in Zurich are circulating on the Swiss market

To some extent, the gold reflux is believed to be linked to the general policy of reserve diversification, which Opec countries have been discreetly following for several years now, and which leads them to increase their holdings of gold as well as non-dollar currencies

Another factor, is the fear of politically-inspired Western "freezes", following the Carter freeze of Iranian assets, which encourages some countries to think their reserves are safest at home.

But there is plenty of evidence that gold is being used increasingly as a means of payment these days, especially for politically sensitive transactions.

A visiting member of the Argentinian junta recently told Zurich bankers that as a result of the US grain embargo, the Soviet Union is paying in gold bullion for the Argentine wheat it has started buying, shipping the metal out by air from Bulgaria

The same source also said that Iran's revolutionary authorities are paying gold for the Argentine meat they are now buying in a desperate attempt to maintain food supplies

Naturally, there are rumours that both Iran and Iraq are using gold to buy military supplies for their stalemated war

Rumours abound, too, in Zurich of secret SA gold-for-oil deals with oil producing countries

But while the Swiss customs figures lift a corner of the cloak of secrecy that traditionally shrouds the international gold trade, they also raise far more questions than they answer

Richards Bay gets R400-m injection

(74) 16/11/80 SUN TIM (B.I.)

GROWING INTERNATIONAL TRADE WILL EARN BILLIONS IN FOREIGN EXCHANGE

By Andrew McNulty

HUGE new expansion projects estimated to cost more than R400-million are under way or being planned under a far-reaching new development phase at Richards Bay.

The projects will create the infrastructure necessary for spiralling international trade that will earn thousands of millions of rands in foreign exchange.

Bulk shipments through Richards Bay in the next five years will go far beyond the coal terminal that initially formed the basis for the port's development.

Coal exports alone will earn more than an annual R3 000-million by 1985.

The South African Railways and Harbours is committing millions of rands to new facilities to cater for much-increased traffic through the port.

The message is that Richards Bay will assume new status as a fully fledged bulk-commodities port that will play a strong role in South Africa's foreign trade drive in the 1980s.

By 1985, the current bulk-traffic handling capacity will be increased by at least 150% to allow for a total 54-million tons a year.

"These are minimal figures based on current plans. But capacities of the new bulk facilities are designed to be doubled or even tripled fairly easily and will rise with the traffic," explains Tienie Crous, SAR&H's chief planning officer.

In addition to coal, exports through Richards Bay include titanium slag, rutile, zircon, chrome ore, ferro-alloys, phosphoric acid and wood chips.

Imports include sulphur, alumina and petroleum coke.

Major projects include:

- A general bulk-handling facility under construction at a cost of R107-million.

The first stage is aimed at exports and became operational late last year at a cost of R61-million for an annual 4 Mt/a of bulk cargo.

Work started some weeks ago on the second phase, a 3-Mt/a import facility that will cost R46-million and will be in operation by early 1981.

- Work to start in 1982/3 on a special bulk facility — to handle cargos such as ferro-alloys, steel, granite and wood logs — which is projected to cost R56-million.
- It is to be operational by 1985, in time for the completion of the expanded main line which is being designed to carry a range of growing export commodities as well as coal.
- The expansion of the port's export coal-handling facilities, lifting capacity from the current 20-million tons to 44-million tons.

In addition to R350-million being spent by the SAR&H on expanding the main line from Broodsnyersplaas to Richards Bay, a considerable sum — possibly as high as R20-million — will be spent on dredging and new coal berths.

- Current talks in the chemical industry which are likely to lead to the formation of a consortium that would develop a massive new chemical storage and transport facility at the port.

Industry sources say the cost could be as high as R200-million.

The SAR&H already leases an area at Richards Bay to the Sentrachem subsidiary, Karbochem, for chemical storage.

"We are keen to see this extended," Mr Crous says.

"We have about 40 ha of additional land available which could be leased be a consortium for chemical storage. But it would have to be a common-user facility available to anybody."

Announcements on such an arrangement are likely by the year-end.

BUSINESS

Mineral sales soar beyond R10 000m mark

S14R
20/11/80
(14)

By Geoff Shuttleworth

Foreign exchange earnings from mineral sales have surpassed the R10 000m mark, rising to R10 192m for the first three quarters of the year and handsomely surpassing last year's total of R8 500m.

When local sales are added in, the nine-month total for 1980 rises to R11 351m compared with the whole of last year's R9 768m.

Export sales in September amounted to R1 231m compared with R1 135m in August but fell short of July's record total of R1 424m.

Sales for the final quarter of 1980 should make certain that the Minerals Bureau's projections of a R14 500 to R15 000m 1980 total will be comfortably exceeded.

The increase in the September sales was almost entirely due to gold which fetched R967m compared with August's total of R876m.

Significantly, diamond sales have continued to decline since July. The September total was R48,4m against August's R55m and July's R77,1m.

Latest sales are, however, higher than the rockbottom sales of R12,7m in May this year.

Sales of antimony on export markets were R66 622 in September compared with R313 902 in August and confirm the gloomy picture painted by Cons Murchison when it suspended part of its mining operations.

Nickel sales were sharply higher at R15m compared with only R6,1m in August and R1,1m the month before. Copper also rose significantly to R19,8m from R9,4m in August and R12,3m in July.

Sales of coal and anthracite fell to R53,5m in September from R60,6m in August and R52,3m in July.

Manganese sales fell sharply to R7,4m, nearly half the August total of R14,5m and compared with July's R13,1m.

INVESTMENT CONFERENCE FM 21|11|80 (79)

The continuing boom

Something of a truism perhaps, but for the next 12 months or so investor attitudes in SA will be largely coloured by what happens to gold. That was the underlying theme of most of the papers presented at the *FM*'s tenth annual international investment conference last week.

Gold has helped our market become more sophisticated. It has wrought what many see as a profound structural change in SA's economy over the past couple of years. But, for all our sophistication and economic strength, investors on the JSE remain bemused by bullion's performance. Not, judging by the various speakers' optimism, that investors in SA have much to fear as a general rule, though the market could well fluctuate sharply in response to short-term gold price shifts.

Those movements, taken in the context of a sound economy and stock market, will provide short-term trading opportunities, not signals for medium-term disinvestment. Our economy is sound and that is reflected in a basically firm share market.

Gold underpinned

The logic of the argument is almost irresistible. But before we look at the economy and the market, let's see where gold is and where it is likely to go.

As David Potts, the author of Cons Gold's annual gold survey sees it, gold's basic trend is firmly upwards. He believes that even though global supplies of newly mined gold are unlikely to fall as quickly over the next decade or so as the decline projected for SA's output. New mines are being opened elsewhere with, in some cases, short lead times between inception and a start of production.

A corollary of the shift away from a fixed gold price determined by central banks has been a broadening of the market for gold. Prices are now determined in part by speculative purchases and sales worldwide — a development which carries the prospect of price volatility.

But couple that with Potts' belief that central bank buying helped gold bounce off the $500 level it tested in March/April and there are grounds of confidence in the floor price in that area. Long-term investors provide the support, but once speculative buyers get the idea that the time has come for another quantum rise, a near-term drying up of "old" gold sales could see the price heading beyond the $850 established during the frenzy of January.

Linked with these factors is jewellery demand for new gold. Usage in carat jewellery fell from 1 007 t in 1978 to 737 t last year and an estimated 300 t this year. But if Potts is correct, people will eventually grow accustomed to higher gold prices and return as buyers of carat jewellery. That development should provide a further underpin to the gold price, albeit at a possibly higher level than $500, rather than assist in driving bullion's price into the stratosphere.

Perhaps this is harping too much on one topic — but it is the main factor in determining where our economy and our overall market is likely to go.

Gold's escape from the confines of a fixed price system has led SA to produce large current accounts surpluses for four years. We may suffer temporary deficits, but as finance minister Owen Horwood points out, those four years have been a period of structural change in our economy. Certainly higher gold prices have led to a worryingly high level of domestic liquidity. But they have, more importantly, abetted the development of a growth-oriented fiscal policy. SA could well be fortunate and avoid the stop-go economic policies of other major economies.

Owen Horwood . . . balance of payments transformed

Horwood sees the present economic upswing continuing into 1981 and possibly beyond and forecasts a 5% to 6% growth in gdp for 1981. He warns that an upper turning point will be reached sometime and be followed by a temporary downswing or levelling off. But that he sees as merely a breathing space before the economy moves ahead to record levels.

Few people disagree with him. As Nedbank's Merton Dagut put it, the key word is momentum. That momentum, Dagut feels, is so strong that our economy has an all but irreversible short- to medium-term upward impetus.

Buoyant equities

Sure, we will almost certainly suffer from temporary capacity and manpower constraints but overcoming them will provide the economy with a multiplier boost and that will be reflected in higher earnings for smokestack South Africa.

Again as Dagut sees it — and he is not alone — the Eighties could be the decade in which SA tops the world in economic growth rates. But let's not forget, the impetus was provided by gold and its maintenance depends on a continuation of fiscal policies which encourage expansion through the private sector. This is largely

Arnold Witkin . . . industrial market has stamina

No. 2357 gg 7301 21 November 1980

SOUTH AFRICAN RESERVE BANK ACT, 1944

DETERMINATION OF STATUTORY PRICE IN GOLD

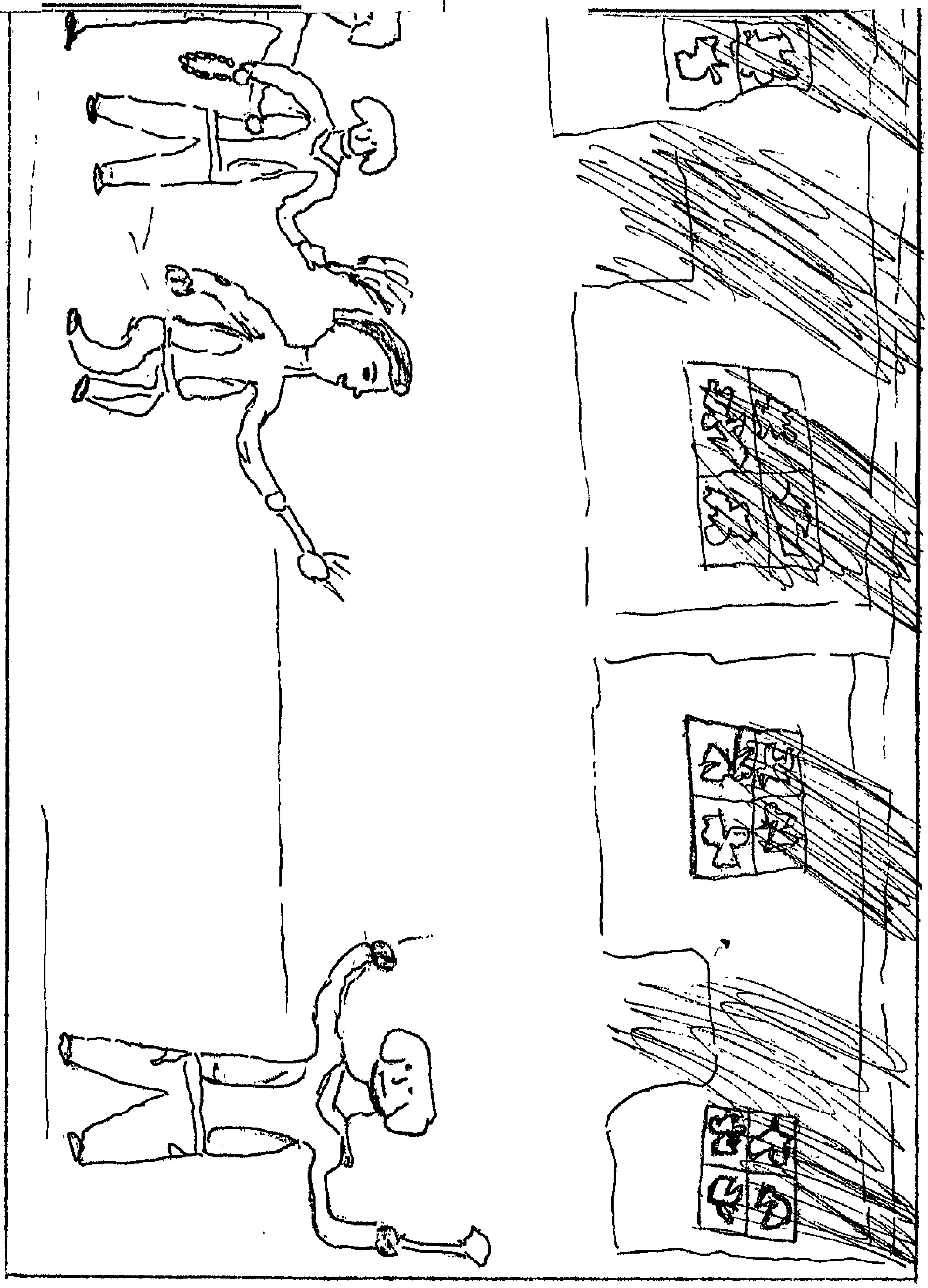
It is hereby notified that, in terms of section 17A (1) of the South African Reserve Bank Act, 1944 (Act 29 of 1944), the Minister of Finance has valued, as from 31 October 1980, all gold of the South African Reserve Bank at R429,99 per fine ounce of gold.

No. 2357 79 21 November 1980

WET OP DIE SUID-AFRIKAANSE RESERWEBANK, 1944

BEPALING VAN STATUTÊRE GOUDPRYS

Hierby word bekendgemaak dat die Minister van Finansies kragtens artikel 17A (1) van die Wet op die Suid-Afrikaanse Reserwebank, 1944 (Wet 29 van 1944), alle goud van die Suid-Afrikaanse Reserwebank met ingang van 31 Oktober 1980, teen R429,99 per ons suiwer goud gewaardeer het.

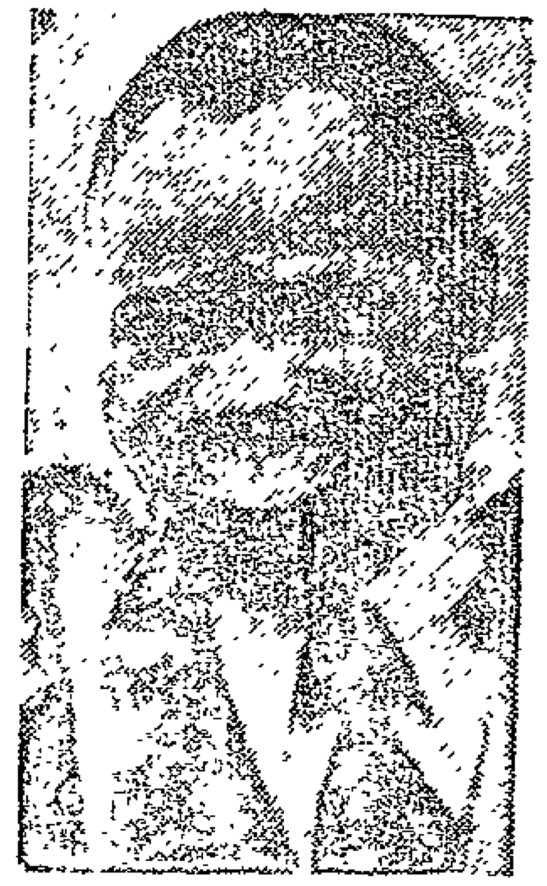


Waddell in Moscow — now what's going on?

SA's Red gold link

STAR 26/11/80

Mr Gordon Waddell . . . "just passing through."



President Samora Machel . . . friendly, official visit to Moscow.

President Leonid Brezhnev . . . private talks.

From the Financial Times

LONDON — Collusion between the Soviet Union and South Africa leading to tacit understandings over the marketing of gold, diamonds, platinum and other precious metals has long been suspected in the West but never proved.

Last week, however, Moscow played discreet host to Mr Gordon Waddell, one of the most important figures in the South African mining industry.

Mr Waddell is a former son-in-law of Mr Harry Oppenheimer, whose family built up Anglo American Corporation and De Beers Consolidated Mines. Companies in the first group produce 27 percent of the world's non-communist gold, while mines in the second dominate world diamond production.

There are four seats on the Anglo operating committee which scrutinises even small decisions made in the group. Mr Waddell has one of them. But he also recently became chairman of Johannesburg Consolidated Investment, 41 percent owned by Anglo and the major shareholder in the world's largest platinum mine.

He is, therefore, a key director in the South African mining industry, not at first thought the most obvious businessman to be visiting Moscow.

He was spotted by chance during a performance of "Boris Godunov" at the Bolshoi Theatre. Mr Waddell and another Anglo American executive were in the company of two unidentified Soviet officials.

Asked for the reason for his visit Mr Waddell diplomatically replied that he was "just passing through." Moscow is not usually a place which important South African business figures "just pass through."

The Soviet Union has no diplomatic relations with South Africa and, according to the official Soviet trade statistics, the Soviet Union does no trade at all with South Africa

But the two countries do have mutual interests and, at least in one sector, there is arm's-length co-operation. Soviet rough gem diamonds are sold to a small company in London en route for the world's markets, dominated by the De Beers Central Selling Organisation (CSO).

It is an open secret, although never formally acknowledged by De Beers, that the CSO takes the stones from this company and then sells them as part of its normal marketing at 10 sales a year in London.

There is also some evidence, although less conclusive, of contact between the Soviet authorities and the CSO on diamond pricing.

Antwerp dealers have observed that if Russia raises the price of its polished diamonds, sold through an Antwerp office, this often precedes a price rise for CSO rough stones.

PLATINUM TIE

For platinum the picture becomes murkier. South Africa and the Soviet Union are the world's two main producers, and periodic rumours surface to the effect that the two are considering a cartel.

But South African production is usually sold by direct contract while Soviet output, when available, goes to the free market. The fact that free market prices influence South African producer prices suggests at least a joint interest in holding prices as high as possible or, at least, preventing them from slipping too far.

Certainly the Soviet Union has long taken a keen interest in the marketing of South African precious minerals. It is the world's second-largest gold producer, with an annual output estimated by Western mining experts to be around 400 tons.

Soviet gold sales this year have dropped back sharply from last year's level of over 200 tons. It transferred 34 tons, worth about R535-million to the Swiss bullion market in September and October, but may also have sold some metal through London and New York.

Bullion market speculation of possible Soviet-South African co-operation flared recently when it became known that a team from Consolidated Goldfields, the London-based mining finance house in which De Beer's and Anglo own significant holdings, had recently paid a visit to Moscow.

EXPLORATORY

The trip was very much an exploratory mission for both sides. But it is thought that Cons Gold eventually may help the Russians, in particular by broadening their knowledge of the gold market.

It would certainly be difficult ever to prove active collusion. But it is striking that this year both the Russians and the South Africans have been following broadly similar marketing policies by holding back some of their production from world markets to help bolster prices.

The Russians have always been adept at this sort of game, taking pride in varying the timing and method of sales to keep the market guessing.

The South Africans have normally fed their production to the market in a steady stream. This year, however, Pretoria has switched to a more sophisticated sales policy by adding part of its output to reserves.

One link the Russians and South Africans share with all other major gold producers is that most of their output is marketed through the major Swiss banks.

Since 1972, when Russia started selling gold to the West againafter a seven-year absence, most of its supplies have been routed through the Swiss maarket.

South Africa has also used Zurich to handle aruond 55 to 60 percent of its sales in recent years. A large amount of South African gold is airfreighted to London, however, before being sent on to Switzerland — and the proportion of South African gold coming on to the London market seems to be increasing.

CHANCE

Perhaps by sheer chance, Mr Waddell's brief stay in Moscow coincided with a lengthy "friendly official visit" by a top-ranking delegation from Mozambique led by President Samora Machel, who held talks alone with Soviet President Leonid Brezhnev, as well as full-scale meetings between the Mozambique delegation and the Soviet Leadership.

President Machel was treated during his visit in the style befitting one of the Soviet Union's closest and most important allies in Africa.

"The coincidence of the visits highlights the ambivelence of the Soviet attitude to southern Africa. It is the dilemma of squaring ideology with economic necessity.

GAP

There has always been a gap between rhetoric and reality. Both South Africa and the Soviet Union are caught in the same dilemma. It may be, as many Suth Africans have remarked in private, that the coincidence of economic as opposed to political interests, may deepen this improbable relationship.

GOLD

79 FM 12/12/80

Down we go

"We've now seen the bottom." That was a leading London analyst's view of Wednesday afternoon's $15,50 gold price crash to $579. But there are good reasons to doubt him — a US prime rate of 20% and a promise of economic screw tightening under a Reagan presidency.

It is very hard to be convinced by the optimists and SA gold mine managers seem to be taking the same view.

As far as I can remember, the last time they stuck their necks out over gold's likely performance was in the early Seventies. And they remember all too well the problems of the mid-Seventies, when development projects were hampered by bullion's effective halving from its then high of $200. Going by the past week's gold dividend announcements, no-one seems prepared to count on significant gold price strength in 1981.

Gold's performance points to December quarter earnings very much in line with those notched up in the three months to end-September. On that basis, it seems clear that mines with relatively heavy capex programmes are taking a cautious line on retentions rather than counting on funding next year's capex from current earnings.

That, of course, should be qualified to an extent. GFSA's mines, particularly, are notorious for relatively poor interim payments compared with first-half earnings. They make it up at the final, but the trend until then is to amass cash far beyond the individual mine's needs. The group did, however, come up with one surprise, Deelkraal's 5c maiden payout.

ERPM, on the other hand, which promised shareholders an annual 360c payout if gold averaged $600, seems to have few qualms. Its total payment this year is 10c more than expected and management seems to be counting on a sufficiently high gold price to fund the mine's heavy capex programme without having to be unduly cautious on payouts.

At this stage of the gold cycle, however, it is probably easier to side with the bears than with the bulls. The growing tension between Russia and Poland, which could possibly throw the world's banking system into total chaos, has failed to prevent bullion's major fall from the narrow $600 to $630 trading range it followed for several weeks.

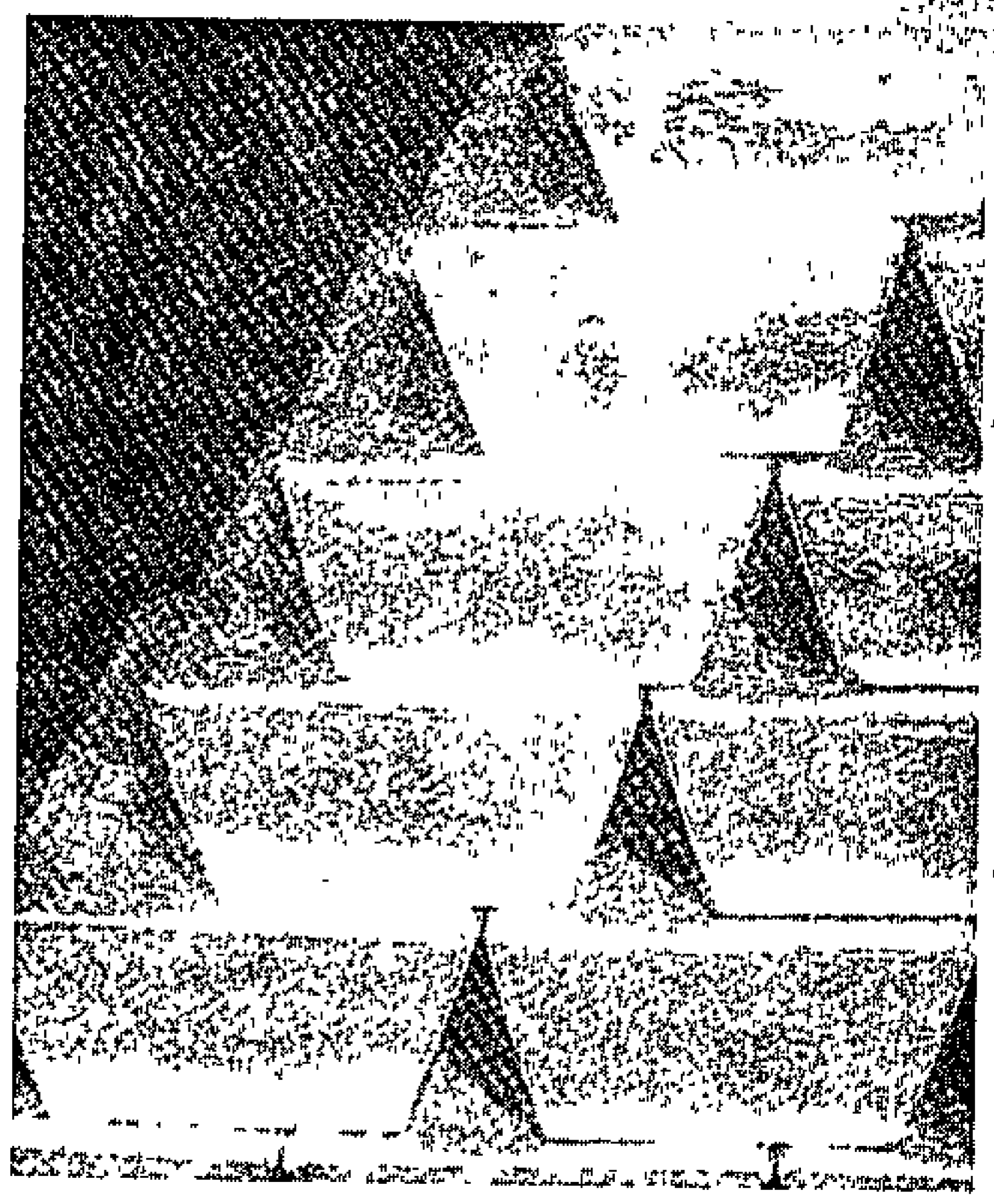
Far more influential are US economic prospects and interest rates, with the prime's hike to 20% taking much of the steam out of gold. Perhaps more to the point, however, is one view that higher US interest rates have made short positions that much more attractive among the predominantly bear operators on the floors of the US precious metal futures markets.

The pattern of their trading for the past few months has led several analysts to conclude that a major gold price break was coming — one way or the other. And it need not necessarily be a sharp upward move such as the one this January when many short positions had to be unwound quickly. As one US analyst sees it, even if the shorts are squeezed out and bullion advances, the subsequent downward correction (remember February/March) may not be followed by a particularly fast recovery.

The Reagan administration's first year in office will almost certainly see a continuation of high US interest rates aimed at squeezing inflation out of the economy.

WHAT THEY PAID

	Earnings after capex Period to Sept 30	Dividends: financial year to date		
		Interim	Final	Year-end
		c		
Blyvoor	84,1	160		June
Buffelsfontein	223,5	360		June
Deelkraal	1,3	—	5	Dec
Doornfontein	117,3	135		June
Durban Deep	555,1	160	300	Dec
East Drie	278,5	120	220	Dec
ERPM	520,9	175	195	Dec
Hartebeestfontein	331,9	500		June
Kloof	120,8	160		June
Libanon	112,7	130		June
Stilfontein	367,0	160	460	Dec
Venterspost	81,5	100		June
Vlakfontein	36,2	—	40	Dec
West Drie	361,2	500		June
WR Cons	116,0	7,5	17,5	Dec



Gold . . . stacking up against the bulls

So, though an eventual interest rate drop is certain, it will probably reflect lower US inflation rates, greater confidence in the US economy and a move by Americans into domestic stocks.

The argument can, of course, be stood on its head. The big "if" is Poland and the tremors any deterioration in that situation would send through the West's banking system. But again the effect of that on the gold price may, perhaps, be short-lived.

With the present state of its economy and the bloody-mindedness of its workers, Poland stands no chance of servicing, let alone reducing, its debt to Western bankers. But if Russia decides to step in and "stabilise" the situation, the Comecon countries may choose not to compound their problems with the West by reneging on foreign loans. That is unless they are looking for a major confrontation.

There would be one easy and obvious way out of that if Russia were to decide to minimise the West's reaction by helping its satellite meet debt repayment schedules — Soviet gold sales.

As usual, the picture is complex. But the very fact that complexity and uncertainty have not, as they did post-Afghanistan, lifted bullion, is a major support for bearish views that gold is in a period of technical weakness.

Investors who want to take a chance and trade on a gold price recovery — after the afternoon fix on Wednesday, bullion was trading at $582 in London — will need to be fast on their feet. Others could become long-term holders unless the Red Army helps them out.

Jim Jones

First shortfall since 1976

Fading gold brings SA deficit closer

RDM 15/12/80

79

By HOWARD PREECE
Financial Editor

THE SHARP tumble in the gold price is a reminder that South Africa could next year show a hefty deficit on the current account of the balance of payments.

If there is a shortfall of any size, it would be the first deficit since 1976.

In 1977 there was a surplus of R412-million and this jumped to R1 330-million in 1979.

A record surplus of R3 001-million was recorded last year and the 1980 figure will be fairly close to that.

In the first nine months of this year the current account was in the black to the tune of R2 812-million.

The plummeting gold price and buoyant imports suggest that the current surplus in the last quarter of this year will be minimal — a small shortfall is even possible.

As the table shows, most bank economics departments have been predicting a current account deficit next year.

But in the case of both Barclays and Standard this has been accompanied by a forecast of gold averaging more than $600.

Should gold average, say, $540 this would mean adding roughly R1 000-million to the current account estimates of the two banks, if everything else is unchanged.

Whether everything would be unchanged is another matter. A big fall in the gold price would probably be accompanied by some reduction in the level of import expectations.

But subject to that reservation, at an average $540 Barclays would be projecting a current deficit of around

	Barclays	Senbank/ Stel'bos	Standard	Volkskas
Gold price average	$614	$500	$619	$600
Current account, balance of payments (Rm)	—1475	—1286	—565	+400
Exports	+10,7%	+5,1%	+14,2%	+15%
Imports	+25%	+24,2%	+25,1%	+25%

R2 500-million while Standard would be expecting about R1 550-million.

The fact, however, that there is a large discrepancy between the two, even though they agree on gold, highlights the other calculations and assumptions that have to be made in any overall current account predictions.

Standard takes a more optimistic view about non-gold exports.

There is also the possible size of the net deficit on services — dividends, shipping, insurance, etc — that has to be considered.

That net deficit is critical in trying to reconcile what seems to be some unsynchronised arithmetic by the various banks.

Also, their forecasts of percentage increases in exports and imports next year depend on their assumptions of the value of these factors this year.

The banks also differ considerably on that.

These factors help to explain why the joint forecast by Senbank-Stellenbosch Bureau for Economic Research seems so much at odds with that of Barclays.

On the surface they arrive, impossibly, at a similar current deficit projection for next year — R1 475-million to R1 286-million — but with Barclays far more optimistic about both gold and general merchandise exports.

Senbank-Stellenbosch is in some ways the most comforting forecast in that back in October it was predicting that gold would average only $500 next year but still not seeing anything particularly alarming about that for the overall balance of payments.

In looking at all the forecasts, however, it has to be remembered that some were drawn up as much as two months ago and could now be subject to revision.

But however they are qualified and however much they differ, one point is common to all four — with gold at $540 or so the current account would be in deficit.

Senator Horwood, the Minister of Finance, has suggested that a price averaging $570 would be more than enough to provide a surplus.

None of this means, in any case, that there need be a big panic if the current account goes into deficit.

There is a substantial offsetting cushion available on the capital account as interest rates rise in South Africa and traders switch again to more use of overseas finance.

Soaring US rates will, however, if sustained, put heavy pressure on South African rates to rise even more rapidly than is perhaps expected if it becomes especially necessary to attract capital inflows.

In the third quarter of this year there was a net inflow of short-term capital of R408-million, the first such quarterly gain in over two years.

There was also a modest net inflow of long-term capital for the first time in 18 months.

A current deficit is not, then, an automatic and immediate cause for business confidence to plunge and economic growth to be threatened.

In any case, as has ...

growth will not depend greatly on the gold price.

The present momentum of the economy will ensure that.

But obviously the medium-term outlook must certainly depend considerably on gold.

Whether there is any logic in the gold market is not always clear. So far as there is, however, it is perfectly understandable that gold should be under pressure with US interest rates in the 20% region and not yet looking to have peaked.

It is also possible that gold will continue to be threatened for some while by this.

The incoming Reagan Administration is sure to opt for stringent financial policies at first.

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F. Reporting the Research Findings.

1. Types of Research Reports.
2. Presentation of Results.

Note : Students will be required to undertake research projects to fulfil the requirements of the Marketing Special Field. They will be expected to use relevant marketing research methods. These projects are normally started in the long vacation between the 3rd and 4th years, and must be submitted by the end of August in the final year.

References : Detailed references will be provided before the commencement of the course.

Examinations : Two 3-hour papers in October/November.
Class tests regularly throughout the year.
Seminar Papers.

Prerequisites : Applied Business Statistics I
Principles of Marketing.

H. BRICE

13th October, 1980
HB/deb

30m Krugers sold in 10 years

15/12/80 RDM

79

THE 30 millionth one-ounce Krugerrand coin was sold last week, slightly more than 10 years after minting of the first coin, says International Gold Corporation.

The ordinary Krugerrand was first offered for sale at the Rand Easter Show in April 1970 and the first overseas sales took place in November 1970.

Since then, overseas buying has accounted for 96,6% of sales— 28 970 000 coins against the 1 030 000 sold in South Africa.

The Krugerrand is the most widely owned bullion coin in the world.

Highest annual Krugerrand sales were made in 1978 when more than 6-million coins were sold, and November 1978 is the record month with sales of 921 396 coins. In the coin's first year, 211 018 coins were sold.

Revenue from the sale of the 30-million Krugerrands is R5 500-million.

At today's gold price total revenue would amount to roughly R13 000-million. —

$201m SA gold for Switzerland

RDM 18/12/80

BERNE. — Gold bullion worth $632-million entered Switzerland in November and $824-million worth left the country, says the Federal Customs Bureau.

The bureau's monthly figures show that South Africa sent gold worth $201-million to Switzerland and $193-million worth came from Britain.

The Soviet Union made no shipments to Switzerland in November, according to the figures.

The largest amount of gold exported was $202-million worth which went to buyers in the Netherlands followed by a shipment worth $185-million to France.

A small shipment worth $45-million entered Switzerland from Bulgaria in November.

Swiss believe this was all Bulgarian gold and not Soviet gold. Moscow sometimes uses another communist country's name to sell gold. UPI.

Dealer sees gold average of $450 next year

RDM 8/12/80 (79)

By NEIL BEHRMANN

LONDON. — Swiss, German and London bullion market managers are cautious about gold's prospects next year. Although Swiss and German bullion dealers have been optimistic about gold, the fall through $600 has dented their enthusiasm.

Apart from the effect of high interest rates, they expect the recession to deepen next year. With inflation slowing and the overall fundamentals poor, some of the more pessimistic dealers reckon that gold is in a 1975 to 1976 type bear market in which the price will go lower after each intermittent rally.

"I turned bearish on gold when it hit $640," says a German bullion manager.

"I would say that we are in a corrective phase rather than a bear market because gold is in a long-term upward trend. But I reckon it is possible that we could see an average gold price of $450 in 1981."

The manager, who was bullish on gold until recently, admitted that he did not call the top. However, he found it necessary to have various confirmatory signals. The first was that there was no follow-through when gold rose above $700.

"Each rally has come from a lower base and political factors, such as the Iranian-Iraqi war and fears of an invasion of Poland have had little impact on the market."

He says that more important, fabrication demand has been much lower than expected and there has been dishoarding during rallies.

He believes that the jewellery market needs at least 18 months or so to adjust to the higher prices. This occurred in the mid-70s after the doubling in the gold price to nearly $200 at the end of 1974.

Another important feature is that interest rates are far above inflation rates.

According to the latest OECD inflation returns, the six-month annualised inflation returns of the United States and Britain are under 10%. Germany's inflation rate on this basis is 2%.

Dealers say that even if interest rates fall, they will still be higher than inflation rates. So investors will be receiving a real rate of return. Moreover, with the world economy sliding, the inflation rate will abate and there will be little incentive to buy non-interest bearing bullion or commodities. This is what happened in 1975 and 1976.

There will be intermittent rallies, especially if interest rates fall in the new year. However, the Americans appear to be intent on curbing inflation, as do other nations, and gold could fall below $500 and average $450 next year, with the possibility of a low of $400.

That would be good for the market because the true users would then re-enter and buy metal. Once the fundamentals improved, gold would continue its long upward trend.

The German bullion manager said that only uninformed central banks were buying at current conditions.

A Swiss bullion manager said that he never trusted the market when it rose to $700, but most bullion dealers thought that the price would hold around $600.

He says that even though Swiss francs and Deutschemarks have been depreciating against the dollar, it still does not pay a Swiss or German investor to buy gold because the price has been even weaker than their currencies.

"The longer high interest rates last, the more intense the deflationary consequences," says the dealer.

Another Swiss bullion manager, who has been consistently bullish, says: "We have had good physical gold buying throughout this crash, but the chaos on the US futures market has made dealing extremely difficult."

550-ton drop in 1980 gold supply

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By ADAM PAYNE

Excluding scrap gold it seems that the world's gold supply in 1980 will be less than 1 200 tons against about 1 750 tons in 1979. This is said by Mr Dennis Etheredge and Mr Gerald Langton in their chairman's reviews for the six gold mines of the Anglo American Corporation group in the Free State.

The lower supply of gold, they say, has resulted from falling South African production, lower Russian gold sales — estimated at under 120 tons in 1980 (230 tons in 1979) — and the drying up of gold supplies from the IMF and US Treasury.

They say that on present indications there will be no further IMF sales and that auctions by the US Treasury are most unlikely, particularly as more and more countries revalue their gold reserves and gold's role in monetary affairs grows.

Of the 1 200 tons estimated as gold supply in 1980, expected investment demand will account for about 570 tons against 770 tons in 1979.

Jewellery and industrial demand will fall to about 630 tons (940 tons) with jewellery accounting for about 400 tons (740 tons).

Mr Etheredge and Mr Langton say that at the beginning of the year they thought the decline in 1980 in fabrication demand would be relatively modest.

But because of the rapid price increase towards the end of 1979 and the beginning of this year and, even more significantly, the extreme volatility brought about by excessive speculation, the declines were much greater.

"Should significant price instability recur it is likely that there will be a further swing from fabrication to investment demand," they say.

"On the other hand, the time will come when the jewellery market will adjust to the higher levels and there will be an inevitable resurgence in demand for jewellery."

They say the past year has shown clearly that the basic structure of the gold market has undergone a radical transformation.

The concept of gold as an investment medium is entrenched and the growing intrest being shown in gold by banks and the naturally conservative managers of pension and insurance funds is indicative of the direction of the markets.

The strength of the gold futures markets has lain in their ability to attract and introduce a broader spectrum of investors to gold.

The two chairmen say that it may be expected that there will be further moves towards the use of gold in inter-central bank transactions, resulting in the effective remonetisation of gold.

"It is also possibly only a matter of time before the US revalues its gold reserves.

"Taken together with supply-demand fundamentals, it seems clear that the future of gold is assured and that in spite of short-term speculative influences the long-term trend is distinctly bullish."

The chairmen say: "After three years of relative price stability in the uranium market from 1977 to 1979 the spot price began to decline steeply at the start of 1980 and it is still too early to say whether the bottom has been reached."

The uranium market became heavily oversupplied after the oil situation deteriorated in 1974. Existing uranium producers increased their output and new rich sources were discovered while energy demand forecasts dropped because of depressed ecomonic growth and measures to conserve energy.

"In these circumstances, and with rapidly escalating costs, some of the potential new projects are likely to be delayed until the market shows signs of revival.

"Bearing in mind the long lead times for new power reactors we fear that it will be several years before such a revival begins. In the meantime, as is already evident, more and more primary producers will find that current prices are insufficient to cover their increasing costs of production and they will go out of business.

"Their place in the market will be taken by new low-cost producers and producers of by-product uranium. In this way a balance between supply and demand will be established although inventory worldwide is likely to increase in the short term beyond the current three-year consumption level, and spot prices could decline further."

The total profit of the Joint Metallurgical Scheme of R42 100 000 was marginally lower than the R46 600 000 achieved in the previous year.

The weakening spot market and the suspension of uranium deliveries to the Atomic Energy Organisation of Iran resulted in a fall in uranium profit from R43-million to R18 500 000.

A substantial increase of R19 400 000 in gold profits to R21 500 000 almost made up this shortfall.

The chairman's reviews for President Steyn, President Brand and Free State Geduld mines disclose that all three mines are to reduce grade. Points from the reviews are:

PRESIDENT STEYN: The policy of reducing the grade to take advantage of the gold price will continue. This is reflected in the further decrease to 6,5 g/t (6,91 g/t) estimated for the comming year to September 30.

Tons milled will increase to an estimated 3 961 000 (3 779 000) which will offset the loss of gold caused by the reduction in grade.

Capital expenditure will remain at a similar level to that in 1979 when the total was R31 600 000. Work on the No 4 shaft sub-vertical system will be the biggest and most important project. Further expenditure will be incurred on housing and amenities and the expansion of monitoring facilities.

FREE STATE GEDULD: The results obtained in the surface drilling programme in the north-eastern section of the lease area continue to point to the possibility of defining sufficient reserves to justify the sinking of a new shaft.

Such a development with an increase in milling capacity would result in greater gold production from the north which could to a large extent counter the effect of the rapidly declining grade in the southern area.

Any potential developments will have to be carefully phased, bearing in mind the capital expenditure and its effects on dividends.

Capital spending on the No 5 shaft in the year will approach R60-million out of the forecast total of R110-million. Grade is to be reduced to 9,5 g/t (11,5 g/t) and tonnage milled is estimated at 3 025 000 (2 959 000).

PRESIDENT BRAND: The policy of reducing grade to take advantage of the gold price will continue. The recovery grade, it is estimated, will be 8,4 g/t (9,18 g/t).

Tonnage milled, it is estimated, will be 3 225 000 (3 328 000).

Capital spending will increase to R48 500 000 (R32 951 000) because of work on the No 5 shaft project.

Spending on the Joint Metallurgical Scheme will be considerably lower at an estimated R11 000 000.

Hangman's drop

"From time to time inflation rates will rise to higher levels than the previous peaks and some governments will find popular support in attempts to reduce inflation by raising interest rates, slowing down the rate of increase in money supply and causing a business recession. This policy will have to be reversed when unemployment rises to a level which changes the attitude of the electorate and makes the governments reassess their priorities."
David Potts, *Gold 1980 (Consolidated Gold Fields, June 1980).*

Not for the first time — and assuredly not for the last either — the US Federal Reserve Board, guided by Paul Volcker, has sprung a trapdoor under the gold market, which had begun, too complacently, to regard $600 as a secure floor.

US short-term interest rates, now at 21%, have exceeded their peaks of early 1980 as the Fed made a frantic grab for control of surging money supply. And even current rates may not represent the pinnacle — Henry Kaufman of Salomon Brothers regards a peak of 24% as possible before the squeeze is relaxed.

The elements in the short-term gold price outlook are well enough known (*FM* December 11). Very high US interest rates always deflate commodity speculation (a not unintended side-effect). The Fed's monetary fusillade earlier this year knocked gold prices below $500 for a short time, although the bullion price bounced back convincingly as soon as interest rates eased.

But the inevitable distress generated by the latest penetration of the $600 "floor" should not be allowed to distract too much attention from the longer term prospects for bullion, about which a cautious optimism is still justifiable.

Thus, former high-ranking US Treasury official Thomas Wolfe (now a private consultant and publisher of a financial service) argues that the basic imbalance between supply of newly-mined gold and high demand suggests that long-term the price will rise. He thinks that once the short-term shake-up is over, gold should settle back in the $600 range, with a longer-term tendency to rise from those levels.

Some local experts agree, as does David FitzPatrick (vice-president of Merrill Lynch International Research) who regards the current downward pressures as no more than temporary. And Robert Guy, director of N M Rothschild & Sons, continues to take a bullish long-term view of the gold market, especially with reference to the reappraisal of the role of gold in the international monetary system.

Dishoarding (from the Middle and Far East) has fallen away since the gold price fell back below $700 and at current prices there is even some renewed buying from those quarters. And some government holdings are also rising. Guy regards the current fall in the gold price as a suitable buying opportunity for the long-term investor not so concerned about immediate carrying costs.

Federal Reserve's Volcker . . . monetary hatchetman

David Potts, Cons Gold's chief gold analyst, is also looking for support now from central banks, long-term investors and the fabrication industry. He would be surprised to see gold go much below $550 if present levels do not hold. Potts feels that gold prices near to or higher than $850 would now be required to induce further substantial dishoarding. (He estimates, incidentally, total 1980 dishoarding at 300 t to 400 t.)

There are vast reserves of US money, says Potts, capable of being put into gold. As it seems generally believed that inflation will remain fairly high in the near term, he looks for a revival in gold after the high US interest rates ease some time in the new year.

The seemingly intractable nature of inflation is confirmed by a recent OECD forecast that America would experience an inflation rate of 10% in 1981 without growth exceeding 2% in real terms. By way of comparison, in the Fifties a 10% inflation rate would have been regarded as intolerably high even at the peak of a runaway boom. Inflation then was below 1%.

Admittedly, if the Fed's money squeeze