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GOLD The U.S. Treasury still has not announced its next auction, despite the fact that more than six weeks have now elapsed since the last auction was held on November 1. Of course the Treasury may be following our advice of October 20, when we stated that "Offering gold for sale at a time when the market is strong because of some adverse news would be counterproductive, since in the face of adverse news the gold offered would be snapped up. On the other hand, when the market is strong for no apparent reason, an increased offering of gold would make sense." The turbulent events of the recent weeks can justify the Treasury's postponement of its next auction, but those who believe that the Treasury is trying to gracefully withdraw from its gold auction program will in our opinion be disappointed. We expect that during 1980 the Treasury will auction over 15 million oz. of gold, thus reducing our balance of trade deficit by about \$7 billion, based on the current price of gold. In 1978 the total Treasury sales of gold amounted to a little over 4 million oz. (8 auctions); so far this year the Treasury sales amounted to 11.7 million oz. (11 auctions). The balance of gold left in the Treasury's vaults amounts to 262 million oz., and will be increased by about 1.4 million oz. when the Treasury receives restitution from IMF in January of next year.

During the month of October, the net U.S. exports of amounted to 212,000 oz. (gross exports were 1.79 million oz.). On December 12, the Canadian Finance Minister announced that Canada would sell 1 million oz. of gold from its reserve holdings of 22 million oz.; the news had little effect on the market, since the bulk of that gold will probably go to the Royal Mint for the minting of the Maple Leaf gold coin. However since the Canadian Government was defeated and new elections are scheduled in February, in our opinion no sale of gold will take place at least until a new Government is installed. The Australian Government has just announced that it, too, will join the parade of countries minting gold coins, and the first issue is due some time in 1980.

At its December 5 gold auction, IMF sold 444,000 oz. of gold at an average price of \$426.37, an all-time record for any sale of gold at auction. The accepted bids ranged from \$425.40 to \$429.31, and the total bids amounted to 1.75 million oz. The details of the auction are reproduced on page 2.

During the month of November, the sales of Krugerrands were reported to be 399,374 coins, which compares with 103,835 in October and 921,396 in November of last year. Total sales for the first 11 months of the year were 4.2 million coins, which compares with 5.4 million coins in the same period of last year. We assume that December sales will also be high, since many a German citizen will try to add to his Krugerrand holdings before January 1, 1980, when a 13% value-added tax will be imposed in Germany, which will effectively close the German market to the distribution of Krugerrands. Until now, Germany was the second largest absorber of Krugerrands after the United States. It is now anticipated that the gold coin market will move to Luxemburg, so that German hoarders can save themselves the 13% VAT by purchasing Krugerrands there. (Most of the large German banks have subsidiaries in Luxemburg). Standard

Chartered Bank, who has an interest in Mocatta & Goldschmidt, has begun marketing 5, 10, 20 and 50-gram 24 karat gold bars in England. A 15% VAT is payable on the purchase of gold in England; still, the bank reported that the initial response to its sales efforts was quite satisfactory.

The price of gold for Indian jewelry exporters has been increased from Rupees 900 per 10 grams to Rupees 1,125, and will be maintained at that level until the end of December. This compares with a gold price of Rupees 1,183 on the Bombay gold market.

The price of gold continues to make new highs, and as of this writing, December 14, the London morning fix reached an all-time high of \$459.50. After the London market had closed, gold traded even higher on Comex in New York, where spot December reached \$469.50. Our subscribers now have a profit of close to \$80 per oz. on the current move, and we suggest that traders take it and stand aside for a while. Long term investors, however, should maintain their position. The current upmove of \$87 is the longest uncorrected upmove in gold's history, and some reaction is due. Besides, basis the April delivery on Comex, although on the swing theory and using the intraday highs and lows the upside objective is around \$535, using the closing price the objective would only be \$490, and that has nearly been reached, when on December 14 the April delivery closed at \$486.40. We do not expect a major decline, simply a technical correction, which could bring prices basis April back to the \$460-\$465 area, at which level traders should re-establish long positions.

As of December 14, the gold stocks in Comex-approved warehouses stood at 2,275,973 oz., and the open interest reached an all-time high of 229,421 contracts. As of the end of 1978, stocks in Comex-approved warehouses were 2,604,394 oz., and the open interest was 186,719 contracts. The price of gold on the last trading day of 1978 was fixed in London at \$226, so that thus far this year the price of gold has already more than doubled. Higher prices accompanied by a higher open interest are usually a bullish indicator, however a word of caution is required here, since a large part of the

increase in the open interest is due to the fact that tax straddles are now being placed in gold rather than in silver as was the case in previous years. That of course swells the open interest considerably. On IMM in Chicago as of December 14 the open interest stood at 78,679 contracts.

During the month of November, 192,863 contracts of gold were traded on Comex, versus 552,793 in October and 550,604 in November 1978. The cumulative volume for the first 11 months of the year amounted to 5,460,483 contracts, versus 3,184,524 in the same period of last year. On IMM in Chicago, 170,925 contracts of gold were traded in November, vs. 228,422 in October and 307,346 in November 1978. The cumulative volume for the first 11 months of the year amounted to 3,329,656 contracts, vs. 2,547,999 in the same period of last year.

SILVER Our subscribers are long the July delivery since it closed on Comex at \$17.54. As of this writing, December 14, July closed at \$23.07. Our price objective has now been reached and slightly exceeded, therefore we suggest to take profit and stand aside, although we realize that silver prices could still go higher,

Bids in the December 5, 1979 Gold Auction

Price	Number of Bids	Amount Bid For (thousand ounces)
\$429.00 and above	1	1.2
\$428.00-\$428.99	—	—
\$427.00-\$427.99	4	109.2
\$426.00-\$426.99	17	200.8
\$425.00-\$425.99	30	322.0
\$424.00-\$424.99	12	476.8
\$423.00-\$423.99	9	362.8
\$422.00-\$422.99	10	98.0
\$421.00-\$421.99	4	28.0
\$420.00-\$420.99	3	10.0
\$419.00-\$419.99	1	20.0
\$418.00-\$418.99	1	2.0
\$417.00-\$417.99	1	30.0
\$416.00-\$416.99	1	2.0
\$415.00-\$415.99	1	1.2
\$412.00-\$414.99	—	—
\$411.00-\$411.99	1	80.0
\$395.00-\$410.99	—	—
Below \$395.00	1	2.0
Total	97	1,746.0
Number of successful bidders:	15	
Number of bids accepted:	38	
Number of bidders submitting bids:	18	
Number of bids:	97	

because the majority of the stocks in CBT and Comex warehouses belong to investors who are willing to maintain their positions for the long term. Thus there is an acute shortage of silver. The previously heralded squeeze in December did not materialize, but we are convinced that those short the February delivery in Chicago and the March delivery on Comex will have great difficulty to extricate themselves from their positions. Probably the only salvation for the shorts lies in some kind of ruling by the Board of Governors of both Exchanges forcing liquidation at a fixed price. (The Comex by-laws provide for such an eventuality.) Be that as it may, the profit of approximately \$5.50 per oz. which our subscribers show on the last move can be taken, since the current move, which carried the July delivery from \$17.05 to \$23.07 was much faster than the previous move which had carried the July delivery from \$10.00 to \$18.00.

The stocks of silver in Comex-approved warehouses continue to increase, and on December 14 reached a high for the year of 70.9 million oz. At the beginning of the year, the Comex stocks stood at 58.2 million oz. As of December 14, the open interest on Comex stood at 130,604 contracts, whereas at the end of 1978 it was 311,873 contracts. On the CBT as of December 13 the open interest stood at 94,367 contracts, versus 268,771 contracts as of the end of 1978. As of December 14 stocks in CBT-approved warehouses stood at 58.1 million oz., which compares with 59.9 million oz. as of the end of 1978. As of the end of 1978, the Handy & Harman spot price for silver was \$5.96; on December 14, 1979, it was \$20.85 (!).

During the month of November, 57,434 contracts of silver were traded on Comex, versus 191,700 in October and 437,973 in November 1978. The cumulative volume for the first eleven months of the year amounted to 3,856,757 contracts, versus 3,440,664 in the same period of last year. On the CBT, 56,222 contracts of silver were traded in November, versus 151,554 in October and 342,405 in November 1978. The cumulative volume for the first 11 months of the year amounted to 2,615,337 contracts, versus 2,345,059 in the same period of last year. Obviously, due to the high margin requirements and the extreme volatility and thinness of the market, the daily trading volume in silver is dwindling, and if this pattern continues for a few more months, the Exchanges may be tempted to suspend trading in silver altogether.

On December 3, the CFTC, belatedly concerned about the happenings in the silver market, filed a complaint against the Banque Populaire Suisse for its refusal to disclose the names of the bank's clients who purchased silver through its intermediary on various U.S. exchanges. The bank has twenty days to answer the CFTC complaint. Since there are no limits on silver positions that any entity may hold, we fail to see the reason for the CFTC complaint. So far, the only injured parties in the unprecedented rise in the price of silver are the shorts (regardless of whether they were short outright or short futures against the physical metal). But the shorts can only blame themselves; nobody obliged them to go short and then to stubbornly maintain their short positions.

We also fail to understand why the switches on Comex and the CBT have not reversed themselves from contango into backwardation. Normally, when the shorts do not have the physical metal for delivery, there is a premium on the spot month over the next month, etc., thus inciting the holder of the spot month to sell his long position against the purchase of more distant deliveries at lower prices, which relieves the pressure caused by the shortage of physical metal required for immediate delivery. Of course, it is still possible that the silver market will go into backwardation, so that the contemplated suspension of trading in silver may be avoided.

On December 7, the CBT lowered the margin for silver from \$15,000 to \$9,000 per contract. On December 12, the House voted against the proposed sale of 5 million

oz. of silver from the national stockpile. During the month of November, 37.8 million oz. of silver were traded on the London Metal Exchange, which compares with 55.3 million oz. in November 1978. The cumulative volume for the first 11 months of the year on the LME amounted to 544.2 million oz., versus 390.5 million oz. in the same period of last year. In November, the average price for spot silver on the LME was 780.29p.

PLATINUM When platinum was fixed at \$488.50 on November 16, we suggested to go long. As of December 14, the London fix was \$566.50. We advise taking profit and standing aside for a while. At the end of the 3rd quarter, the stocks of platinum held by U.S. refiners, importers and dealers were 287,880 oz., versus 369,823 oz. at the end of last year. During the first 9 months of the year, the U.S. consumption was slightly over 1 million oz., so that the total consumption this year will exceed the 1.2 million oz. consumed in 1978. During the month of November, 38,190 contracts of platinum were traded on the New York Mercantile Exchange, versus 35,015 in October and 33,130 in November 1978. The cumulative volume for the first 11 months of the year was 496,807 contracts, versus 373,295 in the same period of last year. As of December 14, the open interest on Merc was 8,339 contracts, and there were 83,950 oz. of platinum in Merc-approved warehouses.

NOTE Because we publish 24 issues a year, there will be a 4-week interval between this issue and the next one, which will be dated January 16, 1980.

