
COMMODITIES

'Wartime' price boom loses steam for now

The nearly universal predictions throughout the London-New York financial community of a 1979, first-half year metal commodities price spiral are not working out at all smoothly.

The six-week copper and other metals open market price pickup, which began in late January, was so convincing until the middle of last

week, that on March 1, Asarco and Texasgulf, two leading U.S. copper producers, announced a \$1.00/lb. producer price for copper to match the speculative runup to the 93-95 cent range. Then, on March 5, copper took a sudden fall on its 3 cent per day limit, and Asarco quietly rescinded its price increase back to 95 cents.

Many members of the New York commodity trading circuit must now feel utterly confused. On March 5, prestigious Conti Commodities' leading analyst Leonard Sarnow opened his *Journal of Commerce* column asserting: "The elements are there for another explosive rise in precious metals." Copper expectations, he added, are firmly upward, because copper is a "wartime" commodity, and there is a war in Asia.

After the copper, silver, and platinum price declines on March 5, however, not a single New York financial paper has dared to either predict metals price trends, nor to admit that the boom — talked up for weeks — is shaky.

What governs prices?

The six-week runup in copper, which triggered speculative hikes in silver and platinum prices too, was a direct offshoot of the international oil crisis. The same London-New York financial circles which rigged the jackups in the oil spot price set

FOREIGN EXCHANGE

Britain takes last market shot at EMS

The dollar closed out the week of March 5-9 on balance basically stable at its average the previous week of DM 1.8550 — a range in which in fact the U.S. currency has been trading for some three months now. The announcement in Washington and Brussels officially launching the new European Monetary System (EMS) apparently, however, caused a mid-week softening in the dollar rate.

The flurry was caused by the Bank of England, which, seeking to discredit the EMS, selectively

halted its ongoing sales of sterling against the dollar, allowing the pound to rise to \$2.0417, its high for the year. Britain's attempt to halt or discredit the EMS as anti-dollar has been repeated in public forums for months now.

Foreign exchange traders noted however that the firmness of the dollar — as highlighted by its incredible stability over the past months — is confirmed by the fact that its basic trading range of DM 1.85-1.86 has not been affected by the much more significant con-

tinuing central bank sales of dollars. The West German, Japanese, Swiss, and U.S. authorities, who have been unwinding their foreign swaps, have been able to transfer several billion dollars into the markets since the beginning of the year without touching the rate.

"Market participants realized that trading patterns under the EMS probably won't differ much from those over the last several weeks, where the relationships of the major European currencies have been fairly stable," the Dow admitted March 8.

Rather, it is the British who now have some hard decisions to make. Traders say sterling's exchange rate will be difficult if not impossible to manage outside the new zone of stability. While it might rise during the present oil crunch on North Sea euphoria, sterling could just as well collapse as soon as Iran comes back on stream in a month or less.

—Kathy Burdman

the stage for substantial short-term capital flows to scoot into the metals exchanges.

The March 5 turnaround in copper, on the other hand, can be directly traced to announcements that Iranian oil production was being resumed, and that oil deliveries from Iran were reaching Japan and other consumers. Short-term hot money flows continue to traverse world markets, but investors are reported to be "nervous" and according to metals traders, much less confident about a boom than they were at the close of last week.

If the metals price increases were to continue at anywhere near recent weeks' rate, the U.S. economy, to take one example, would face the prospect of a more than 100 percent increase in industrial raw materials prices.

London's capacity to set off such a hyperinflationary spiral depends on generating thorough panic in the investment community through one

regional war crisis after another. Fear of inflation combined with regional warfare in supplier countries forces investors to liquidate longer-term, lower-interest investment in favor of speculative, high-earnings gambling.

Exemplary of the investment track London circuits pursue under such a climate of destabilization are reports that "smart money" this week only entered the foreign exchange markets between 9 and 9:30 a.m. and at the close of trading, primarily to speculate against the yen; the rest of the day, "smart money" played with copper, platinum and silver.

After considering the oil-metals price linkup in private discussion this week, one New York analyst asserted that he expected copper to plunge back down to 80 cents no later than August. More important, leading spokesmen for the Zambian and Zairian governments predicted an 80 cent price by August in public

statements issued upon their arrival in Washington for the International Monetary Fund (IMF) Interim Committee meeting.

IMF officials linked to London are also known to be infuriated by ongoing West German efforts in Zaire to establish direct producer-consumer sales in copper and cobalt, bypassing the London Metals Exchange — an arrangement which could seriously hamper speculative maneuvering worldwide. IMF officials launched a "scandal" this week aimed at disrupting these Zaire-West German links, asserting that European trading companies were withholding revenues from Zairean cobalt sales in special bank accounts — funds which are apparently being used to purchase food and other supplies for Zaire in violation of IMF austerity conditions.

—Renee Sigerson

KEEPING TABS ON THE ECONOMIST

French nuclear program dead?

One misstatement of fact in the Feb. 24 issue of London's prestigious Economist was particularly gross in light of French President Giscard's successful conclusion of important deals involving all-French technology during his state visit to Mexico's President Jose Lopez Portillo.

The Economist

France's *dirigiste* "... technocrats presided in the 1960s over at least three gross industrial blunders: the search for an all-French nuclear technology; for an all-French computer industry; and the technically wondrous money-sink called Concorde."

The facts:

Each of these three dirigist interventions was a success until bollixed up by British-linked domestic French networks. The Concorde, for example, was damaged by British attempts to wreck the project by backing out in midstream, and through "environmentalist" sabotage of landing rights in key ports of entry, such as New York. The unwinding of de Gaulle's nuclear and computer programs was a complex sabotage job which the Giscard government is making a major effort to reverse.