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## COMMODITIES

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### '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 Then, on March 5, copper took a sudden fall on its 3 cent per day limit, and Asarco quietly rescinded its price increase back to 95 cents.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

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## FOREIGN EXCHANGE

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### 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