es All-Share Index soared to an all-time high of 266.71, following reports (later borne out) that Callaghan was certain to lose a crucial vote of confidence in Parliament. "Gilt-edged" (government) bonds also rose, bringing the *Financial Times* Government Securities Index up to 74.15 on March 27, a 14.7 percent rise from the level of early February.

Item: The Toronto Stock Exchange Index reached a new all-time high of 1464 on March 27. The index has risen 11.8 percent since the end of 1978, with oil, mining, and banking issues leading the way. The Canadian dollar, which declined precipitously last year, has risen from $0.8350 in mid-February to $0.8560 at present.

Item: German stocks, as measured by the Commerzbank Index, have fallen some 4.7 percent since January. Market analysts cite rising inflation, caused by higher fuel prices, and fears that Bundesbank chief Otmar Emminger intends to raise interest rates.

Lifting British exchange controls

Many will remember the December 1977 issue of the London *Economist* which featured a map of the United States and the price tag bearing the words "America for Sale Cheap." The March 24 issue of the *Economist,* with "Iron Lady" Thatcher's face on the cover, signals the next phase of the Bank of England's scenario for reorganizing world markets.

In December 1977, the *Economist* suggested that British banks and related institutions would take advantage of the cheaper dollar to buy up U.S. banks and corporations at bargain-basement prices.

The March 24 issue of the *Economist* now proposes that a Thatcher government take the opportunity of a momentarily buoyant pound sterling to relax Britain's foreign exchange controls so as to allow British institutions to expand their overseas investments.

As the *Economist* itself emphasizes in the March 24 issue, this expansion overseas is prompted by the growing danger of bankruptcy at home and a crisis in sterling. British manufacturing industry is notorious for its stagnant productivity and the relative poor quality of its products, particularly in high-technology areas. The Bank of England's "strong pound" policy thus has the effect of pricing British manufactured goods out of world markets.

The *Economist* proposes that a Thatcher government "solve" this dilemma by removing exchange controls, allowing the pound to ease down gradually.

— *Alice Roth*

---

panding, thus temporarily reducing the U.S. trade and current account deficits.

In brief, the dollar is to be stabilized based on trade warfare and a substantial reflow of funds back to the U.S. markets a la the London *Economist*'s old "buy America cheap" scenario. The following developments in last week's foreign exchange markets underscore the point.

First, the British pound sterling jumped from $2.03 to over $2.05 within a matter of days based on expectations that Margaret Thatcher will replace James Callaghan as Prime Minister. Thatcher is expected to ease Britain's foreign exchange controls to permit expanded British investment abroad, especially in the United States.

Second, the Japanese yen came under heavy pressure on March 29, based on reports that London experts expect the currency to fall to the 210 to 220 level against the dollar as a result of OPEC's latest price hikes. The yen fell to nearly 209 even though the Bank of Japan dumped $450 million.

Third, the Bundesbank raised its discount and Lombard rates by one percentage point as an "anti-inflationary" measure.

In a related development, the U.S. Commerce Department announced that the U.S. trade deficit was $1.3 billion in February, less than half the $3.1 billion deficit reported for January. The decline, however, was mainly attributable to a 17.5 percent decline in the value of imported oil during February, apparently reflecting the shut-off of Iranian supplies and oil companies' drawing from domestic stockpiles. The value of oil imports could surge again in March and April due to price hikes. The U.S. is especially dependent on the Nigerian and North African light crudes which are being sold at a $4.00 surcharge above the new OPEC base price.

GOLD

Camp David euphoria hits gold price

Gold continues to oscillate within a $240 to $246 an ounce range. Day-to-day movements in the gold price are governed largely by the dollar's stability, which tends to depress activity in the metal, and rapidly shifting perceptions concerning the immediacy of war in the Middle East or elsewhere. Once the false euphoria over Camp David dies out, which should occur imminently, and the danger of war resulting from the treaty becomes more apparent to the investors, the gold price could easily take off — even despite the dollar's relative strength against other currencies.

— *Alice Roth*

© 1979 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.