

GENTLEMEN v. GNOMES

The gold battle between London and Zurich

Cape Times Financial Correspondent
LONDON.—Speculators are wondering if they have dropped a gold brick. London and Zurich are battling for supremacy in the gold dealing market. The London gold market opened last week after its enforced two-week holiday and continued its customary procedure of fixing the price.

But is this anything more than an empty ritual?

London bullion dealers would naturally have one believe that London has taken its place at the head of the class once more and that its price is the benchmark for world markets.

Zurich thinks otherwise and I must say I am more inclined to believe Zurich than London. The market must be where the gold is.

PLAYING POSSUM

Zurich has been the principal agent in the private gold buying in recent years, and particularly since sterling devaluation, and now that London has lost the gold pool business and South Africa is playing possum, Zurich must command.

The biggest turnover—one cannot be sure for old habits die hard and London still refuses to disclose its own turnover, but Zurich's sales last week were running at about 20 tons a day and I very much doubt if London was matching it. Comparing London prices with Zurich and Paris proves nothing for, of

course, they were close to each other.

But London's fixing prices, according to Zurich sources, had a wraith-like quality. As soon as they offered to buy or sell at them with orders of one/two tons of gold they began to shift.

ALSO CHALLENGED

London's claim to charge low commission is also challenged. Dealings at the fixing take place on the basis of a quarter per cent charge to buyers with no charge to sellers, making an effective dealing margin of just under 10 cents.

But this did not last long. As might be expected in a free market the spread between buying and selling prices tended to expand in dealings after fixing, ending on the first day at 30 cents.

One of the most important factors in deciding London's future is South African gold, though even this is not necessarily going to be decisive: "There is an enormous quantity of gold in the hands of Zurich clients", says one Swiss dealer.

S.A.'s KEY ROLE

But South Africa used to sell an average of four to five tons a day on the London market and that is good, steady business. London and Zurich dealers—Paris is a poor third and not in the running—have been beating a path to Johannesburg in an attempt to woo them to their side but South African authorities have given no sign to whom they intend to sell.

With its gold output piling up the South Africans must make a decision one way or the other soon.

The manner in which the gold price has dropped must cause them some concern. They need all the customers they can get. It may not be in South Africa's interest to sell exclusively to either of the major markets but to supply all those who want to buy.

Tradition weighs in London's favour, but the advantage of cheap transportation by Union Castle liner is no longer material, for what do a few cents more or less matter on a free price? It only mattered when the Gold Pool was keeping gold to a fixed price.

It will be fascinating to see how this match—gentlemen versus gnomes—goes: I expect it to end in a draw.

