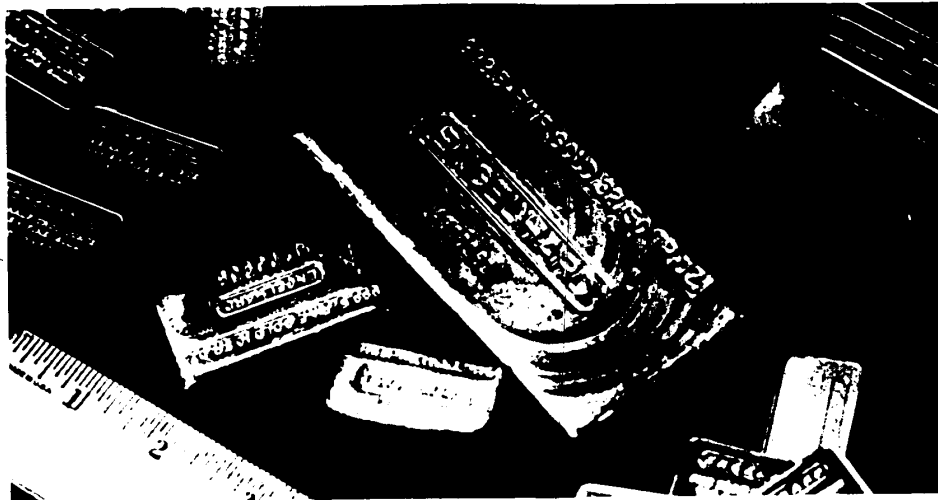


As an investment,
It may be better
than cash in a
mattress, but you
couldn't prove it
by early sales



Gold opens, not with a boom, but a whimper

By JOAN WEAVER

Dec. 31, 1974, the first day of the sale of gold to U.S. citizens since 1933, turned out to be a study in non-happenings, miscommunications, misunderstandings and contradictions.

It was a day when bank tellers stood at empty windows ready to sell gold to customers who never came.

When the one bank where you were supposed to be able to exchange your money for gold bars (Manufacturers National Bank on Lafayette in downtown Detroit) had to deal in paper transactions because their gold shipment was "inadvertently misdirected" to Chicago.

When brokers Merrill Lynch, Pierce, Fenner & Smith in Southfield fielded inquiries about one-half and one-ounce wafers, redirecting them to the bank because the smallest unit they were selling was five-ounce ounces.

And when Robert F. Roland, gold coordinator for Merrill Lynch's Southfield office, in reference to the commodity trading centers in Chicago and New York which more frequently deal in grains and pork bellies, said "gold was the most active commodity in history with the highest number of contracts ever traded in one day."

At the commodity trading centers, New York Comex, Chicago Mercantile, Chicago Board of Options and New York Mercantile, more than 6,000 contracts were traded representing over 500,000 ounces of gold worth an estimated \$9 million.

AT MERRILL LYNCH'S Southfield office, Roland says there was very little activity and that they took orders for only a few hundred ounces.

City National Bank (all branches) sold an estimated 100 ounces and National Bank of Detroit (all branches) reported that only four people ordered gold during the day.

Frank Fisher, manager of the Birmingham branch of Manufacturers National Banks, said there were a few inquiries but no sales of gold at all at his branch. And at the main office in downtown Detroit, Diane Norton of the marketing department said the largest number of total sales (all branches) on the first day were for one ounce pieces at \$188 each, while the largest unit that anyone bought were the ten ounce bars at \$1,880 each.

Meanwhile, the gold shipment slated for delivery at the bank on

Dec. 31 was stranded in Chicago over New Year's with the Brinks Company's representatives. "It was one of those airplane mishap flukes that happen sometimes," said Mrs. Norton.

When the shipment (an undisclosed amount) reached its destination on Jan. 2, "You should have seen the vice-presidents trying to pry up the wire band around the boxes," Mrs. Norton said.

It (the gold) was packed in pine wooden boxes that had to be done with a 39-cent screw driver from Sears after they broke a pair of scissors trying to open it. It's ironic that handling such a valuable cargo was reduced to such fundamentals as screw drivers and scissors and pliers.

Shortly after 11 a.m. on Jan. 2, Paul Jacobs, operations analyst for the gold project at the bank and a resident of Birmingham, carried three small cardboard boxes into a security room in the vault.

Removing the box tops, he began arranging 999.5 percent gold bars worth \$100,000 on a red cloth-covered table. First the 1/2-ounce and one-ounce wafers, with Jacobs fanning them along the red cloth like a deck of cards. These sizes are enclosed in plastic cases, have a highly polished and precise look, and are stamped out like

coins, Jacobs says.

Then the five, ten, 16,075, 25 and 32.150 (called a kilo) troy ounce bars, handling them very carefully and worrying about how they look best. The units from five to 400 troy ounces are poured in a mold and have a rough, unfinished look about them.

All are stamped with the number of troy ounces, the percentage of gold (999.5% fine gold), a serial number and the Engelhard Mineral & Chemicals Corporation.

The array of bullion on the red cloth is part of the total shipment which Mrs. Norton terms "substantial," that hardly anyone rushed out to buy on Dec. 31.

During 1974, the price of gold varied up and down between \$94 and \$199 a troy ounce. On Dec. 31, the price dropped from a closing high of \$199 the day before, to \$188. By Jan. 2 gold was down to \$175 a troy ounce and hovered there through Jan. 3.

Roland, at Merrill Lynch, explains that many people in Europe bought gold on margin in anticipation of an American gold rush that failed to materialize. The drop in price made it mandatory, he says, for those who had bought on margin to put up more money because

they were in a maintenance position. Those who could not put up more money were forced to liquidate, pushing the price down further.

"A lot of people are waiting to see what's going to happen," Roland says. The Treasury's auction public (2 million ounces of gold in units of not less than one 400 ounce brick) was also a factor that dampened first day sales, Roland says.

HE EXPECTS the price of gold for these first five months to be "a little wild," and points out the correlation between gold and the stock market. "When gold is up, the market is down. Gold dropped today (Dec. 31) and the market went up 13 points. It's not a perfect correlation and it's not as true the last two or three months as it was for the rest of 1974, but it often works that way," says Roland.

Thomas W. Wolfe, the Treasury Department director of the Office of Domestic Silver & Gold Operations accepts the view that gold in months ahead will be a kind of referendum on public confidence in the nation's basic economic soundness. If Americans bought gold in large quantity, it would indicate they were afraid to invest in stocks and bonds.

Back in the vault, Mrs. Norton and security guard Harold Lewis, pick up gold bars and comment on their colors, and their weight which is heavy in relation to their size. Jacobs says this is also the first time in 41 years that citizens have been allowed to see gold bullion.

"PEOPLE think gold is soft," Jacobs says. "But it's a hard metal." He picks up a kilo and scrapes the bottom of it with his fingernail. "See? Nothing comes off under my nail, you can't scrape it."

"And it is strong. It can be drawn out into fine wire (dettiled or pounded into thin sheets called foil). It's color, size and weight make it unique. It is heavier than lead, not as heavy as platinum and it's density makes it very hard to counterfeit," says Jacobs.

Virtually indestructible, gold is resistant to oxidation, impervious to common acids, does not rust, tarnish or corrode and has exerted an almost-magic spell over man since 1300 B.C. when it was first used as a monetary medium of exchange.

Dec. 31, 1974 was the day when that spell was loosened.

How about jewels?

Precious and semi-precious gems went at wholesale prices at a two-day public sale in the Shawassee Hotel in Southfield. And security guards were there to keep a watchful eye on the merchandise. Clifford Beresh, president of International Gem Importers, Ltd., said it was a test to see if people would respond to buying unset stones, then take them to a retail jeweler for a custom setting. He called the sale a success. "Normally there's a 400 per cent markup on jewelry," said Beresh. "A customer can save up to 75 per cent by buying the stone wholesale and without the setting."

The gem firm opened a wholesale and public outlet on Jan. 1 in the Heritage Plaza Building, 2901 Northwestern Highway in Southfield. He said the outlet will be open to the public Saturdays and two evenings a week, and the rest of the time to wholesalers only. (Photographed by Douglas Bauman)

