

## Precious Metal Prices Fall; Hong Kong Gold Sales Cited

By H. J. MAIDENBERG    MAY 23, 1989

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Prices of precious metals plunged to 33-month lows yesterday as the dollar continued to soar. Dealers traced much of the selling of bullion to Hong Kong, where many people, frightened by the upheaval in China, have been converting their gold into dollars.

Investors and traders had expected something quite different. Many who have lost heavily on precious metals since the troubles began in Beijing earlier this month had expected that the disarray would create a strong demand for bullion in Asia. And this, they thought, would offset the bearish pressure caused by the strong dollar.

But while gold has traditionally been a favorite form of savings in Hong Kong and other Southeast Asian commercial centers, the turmoil on the mainland and the specter of the takeover of the British colony by Beijing in 1997 has caused many people there, particularly those planning to emigrate, to convert their savings into dollars.

Gold bullion is less convenient to transfer abroad than dollars, which can be moved with a telephone call. As one bullion dealer in New York said yesterday, "Our agents in Hong Kong also tell us that if nervous people on the mainland weren't buying gold, the price would be even lower."

As it was, the price of gold for delivery in June closed down \$2.90 an ounce, at \$363.70, on the Commodity Exchange in New York. While Comex gold quotes are for 100-ounce futures contracts, most prices in the global cash market are keyed off them.

"While the strength of the dollar remains the dominant factor in the precious metals markets, the unexpectedly large volume of bullion selling out of Hong Kong, Macao and other Southeast Asian centers has sharply accelerated the decline in gold as well as silver, platinum and palladium," said Bette Raptopoulos, metals market analyst at Prudential-Bache Securities.

The thinking in Hong Kong is that a sharp turn to the right by Beijing could create both economic and political problems for its neighbors and possibly shorten the time before Hong Kong again becomes part of China, she added.

William B. O'Neill, research director at Elders Futures Inc., an arm of the giant Australian conglomerate, noted that domestic investors and traders in precious metals had another negative development to ponder.

"The Commodity Research Bureau index of futures prices, a closely watched barometer of inflation trends, took a sharp hit today," Mr. O'Neill said. "Small wonder. The strong dollar is weighing on farm prices more than the weather because it could drive many foreign buyers out of our markets. Meanwhile, energy prices, which had been a main support under the C.R.B. index, are relatively stable, with gasoline actually in a decline as the summer driving season begins." Lowest Since May 4, 1988

The research bureau's index of 21 basic food and industrial commodities plunged 411, to 233.32. The index closed at its lowest level since May 4, 1988, when it stood at 233.24.

"For many precious metals traders who follow the technical charts, 235 on the C.R.B. was the downside resistance level," Mr. O'Neill added. "But what they will do now is anybody's guess."

With the gold market under pressure, the 5,000-ounce Comex spot June silver delivery dropped 12.7 cents an ounce, to \$516.50. On the New York Mercantile Exchange, the 50-ounce spot July platinum contract lost \$1.90, at \$498.30.

But the May palladium contract plunged \$7.45 an ounce, to \$149. As recently as April 14, palladium, one of the platinum group of metals, traded at a contract high of \$184, Mr. O'Neill said. "That was when palladium was mentioned as a catalyst in the 'fusion in a glass' claims by some scientists," he added.

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