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COMMODITY COMMENTS

January 25, 1972

H. Y. SILVER

March '72 146.80
July '72 150.40
Comex Warehouse Stocks 116,000,000 oz. unch.

London bullion dealer Mocatta & Goldsmid (affiliated to Mocatta Metals Corporation, our U. S. correspondent) reports the following in its annual circular:

"SILVER: 1971 was a year of disillusion for Silver speculators. The failure of silver in the past two years to justify the over-inflated hopes of 1968 led to successive waves of liquidation driving the cent price at one stage below the 1.29 level abandoned by the U. S. treasury nearly five years ago. The much advertised production gap failed to support the market, and the devaluation of the dollar, against which silver was supposed to provide a hedge, produced the lowest prices of the year.

SILVER SUPPLIES: The lower prices for silver and for the base metals with which it is associated are likely to have reduced the level of new production slightly in 1971. But it is probable that industrial consumption has also been lower. Imports of silver into the United Kingdom for the first 11 months totalled 31 million ounces---14 million less than in 1970. The figures for most of the major producing countries --- Mexico, Peru, Australia--- were down, although South African shipments were higher. Imports from Dubai, the most important source of secondary silver, were back to the higher level of 1969, but the major refining centers, Belgium and the Netherlands, provided substantially less --- Belgium being a net buyer of silver from this country. Most important of all, there were no imports from the U.S.S.R. during 1971.

Exports of silver from the United Kingdom during the same period were sharply higher than the previous year, up from 19 million to 36 million ounces. Belgium took 3-1/2 million ounces and the balance was accounted for by shipments of 13-1/2 million ounces to Switzerland, much of which probably ended up in the hands of speculators.

SECONDARY STOCKS: It was widely expected that silver bullion stocks would decrease in 1971 as a result of the ending of GSA sales towards the end of 1970 and the consequent need to supply the excess of industrial consumption from this source. Much attention was paid at times to changes in the published Comex Warehouse Stocks and part of the speculators' disenchantment stemmed from the stability

of this figure over the year----it declined marginally from 116,331,000 to 115,449,000 ounces. However, it would seem that these stocks which comprised perhaps 20 % - 25 % of available bullion holdings reflect the high level of activity on the New York Exchange rather than the trend in world stocks as a whole.

Certainly the figures for the U. K. would suggest that stocks have been run down, since this country has turned from a net importer of 26 million to a net exporter of 5 million ounces, during a period when perhaps 25 million ounces were consumed by domestic industry. The total figure for investment holdings of bullion is, as always, impossible to calculate with any accuracy, but we think it reasonable to assume that these stocks have at least been run down by something of the order of the previous year's GSA sales---say 50-70 million ounces.

OUTLOOK: A year ago we expected to see a moderate improvement in silver prices in 1971. While we regarded many of the forecasts made at that time as over optimistic we did not foresee that silver could return to pre--1967 levels. In retrospect the behavior of the market in 1971 looks very like 1967/68 in reverse. At that time speculators were so convinced of the value of silver as a monetary and inflation hedge and so certain that the metal was in short supply that no calculations could convince them otherwise. During the 1971 many of the same speculators were prepared to sell their holdings at almost any price regardless of the fact that stocks were declining, GSA sales had come to an end, and secondary supplies from coinage and from the east were sharply lower. Although it is an understandable source of irritation to silver producers, speculators will continue to govern silver supplies for some time to come and the price will be that at which they are prepared to furnish the needs of industry. The disappointment they have suffered over the past four years may overhang the market during 1972 but we believe that the lowest price of 1971 are unlikely to be repeated and that in time silver will be seen to have been as much undervalued in 1971 as it was overvalued in 1968."

For the past two weeks we have been recommending the liquidation of any positions, on a scale up from 149.20 basis March 1972. Such an opportunity arose this past week as prices reached a recovery high of 153.20 basis March '72 and traded subsequently in a 150.00- 153.00 range for 3 days. Lack of volume confirmation plus a flat to down trending open interest level are a clear indication that upside momentum has been lost under the massive 152.00 - 154.00 resistance area basis Spot. An unmistakable bear pattern has thus been formed and we now turn to the short side of the market.

Sell short on 150 - 200 points rallies with protective stops at 154.00 basis March '72.

COPPER

March '72 48.25
July '72 49.25
London 3 mos Wirebars £ 418

We warned last week that the "rising open interest has been a positive factor but, of late, the steepness of its advance has us somewhat concerned.

It seems that a (too?) great many people are jumping aboard the bandwagon".

Our concern was fully justified. On heavy commission-house selling, prices broke sharply this past week. Incredulous traders saw 2 limit moves, one on Wednesday and one on Friday (intra-day) wipe out all the paper profits accrued since the last week of December. The back of an incipient bull-market appears to have been broken; perhaps no such bull-market was ever in the cards.

At any rate the large 3-day drop in the open interest (13,133 to 11,846 contracts) indicates that public liquidation is proceeding apace perhaps to find temporary relief at the late December lows (47.50 basis March '72 & 43.30 basis July '72).

Himble traders may move from the longside at 43.50 - 49.00 basis July risking 43.25. Caution, however, should be the watchword as a change in the direction of the wind may be in the offing.

PLATINUM

April '72 100.40

A spokesman for Johnson Mathey confirmed early last week that it is offering platinum in a producer price range of \$110 - 120 in order to have flexibility in making quantity discounts.

At the Society of Automotive Engineers last week, representatives of auto companies were doubtful that 1976 pollution standards can be met. This gives no encouragement for manufacturers of platinum catalytic converters, such as Englehard, who already know there is little hope that Ford will use its PTX converter in California in 1974.

South African brokers expressed a wide range of views on the outlook for Platinum. On the bullish side, some feel that an upcoming deal between Rustenburg and Brakespruit which will give Rustenburg control of 90% of the South African platinum fields should enable the company to make its sales policy more aggressive. On the other hand, Rustenburg's finances may be so strained now that it may not be able to stockpile much material and this could drive the price of Platinum down.

Ten year lows were registered by platinum futures this past week; April 1972, the nearest contract month traded at a low of 96.00 before recovering slightly to 102.00.

Penetration of the hitherto powerful support area at 98-99 basis spot and feeble upside volume augurs poorly for price action over the next few days and weeks.

Maintain short positions initiated at 109.00 basis April '72 and lower protective stops to 105.00.

COCOA

March '72 24.33

U. K. grindings for the last quarter of 1971 were 94,700 tons, a 15.4 %

increase over the same period last year and a much greater increase than the meager 2½ % 1971 annual increase over all of 1970. West Germany grindings for last quarter of 1971 were 8 % above the last quarter of 1970. Supply and demand (low prices stimulating higher usage) at work, once again.

Prices have reached levels of 4 cents above the late December lows and have just about fulfilled our upside target of the highs 24.00 's.

Begin selling on moves above 2450 basis March '72.

COTTON

March	'72	36.98
October	'72	34.62
March	'73	32.96

This market looks better than ever.

Last August 1, the beginning of the crop year, the supply from previous harvests stood at 4.2 million bales, a 20-year low. By next August 1, the carryover is expected to drop another 500,000 bales to what an official of one textile manufacturer labeled "the most critical cotton-supply situation in history" (Wall Street Journal, January 24, 1972)

Spot prices for 1 1/16 inch middling cotton, a key grade, remains firm at 35½ cents a pound, 10½ cents higher than a year ago.

Dachwardation in this market remains a positive bull market factor and we expect prices to break out on the upside very shortly.

Continue to buy on any weakness or on move above 37.30 basis March '72.

Friedberg & Co., Ltd. Conducts a brokerage business in commodities futures specializing in metals. Our U. S. Correspondent, Mocatta Metals Corporation is a clearing member of leading U. S. commodity exchanges and specialists in silver, copper, platinum, gold, and other non-ferrous metals. Through their facilities and other trade and banking sources, we maintain up to the minute information on world's latest developments that may affect the price structure of metals.

We will be glad to answer questions that you may have concerning futures trading and how you can profit through intelligent speculation.

Albert D. Friedberg, M. B. A.