

# FRIEDBERG & CO. LTD.

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## COMMODITY COMMENTS

February 8, 1972

### N. Y. SILVER

March '72	152.60	
July '72	156.30	
Comex Warehouse Stocks	115,469,000	
		-50,000 oz.

Once again Silver mirrored the daily gyrations of the gold bullion market. On balance, recent action may be characterized as distributive in that it is accompanied by a contracting open interest, a large public following (on the long side) and rather weak closings relative to openings.

We have repeatedly pointed out for the past few weeks that a very large area of overhead resistance lies in the 152.00 - 154.00 basis Spot. This area, in effect, had formed a triple bottom during 1969, 1970 and part of 1971 and a lasting impression in the minds of countless investors that good support would readily appear just as soon as prices receded to these 'lows'. The penetration of this support (correctly forecast in the Commodity Comments of early Summer '71) and the resulting disappointment to the financial community is all well known. What is not readily appreciated is the enormous supply of speculative positions available at these levels, long positions that were not liquidated in time.

In spite of record gold prices and unfettered commission-house bullishness, we doubt that silver can muster enough buying power to 'eat' through the area of overhead resistance. In fact, we think that 154.60 basis Spot (intraday high reached last Wednesday) stands a good chance of being the highest price achieved during 1972.

Continue to sell short on strength turning aggressive on July '72 breaking 149.00.

### COPPER

March '72	49.70
July '72	50.85

A further drop of 750 tons in LME Warehouse Stocks failed to sustain a seemingly improving market and prices drifted off to close only 10 points up on the day.

Light volume and narrow price movements have been the predominant feature in the copper market this past week. Bulls stick to their forecast of sharp economic gains for 1972 while bears argue that the advance to date has been rather sluggish, that U. S. auto sales have been showing a weaker than seasonal pattern of late and that European and Japanese economies are not about to take off.

The Chilean Government announced that it expects copper production to rise from 587 million tons last year to 720 million tons this year and 840 million tons in 1973. Indicating a similar shortsighted approach to price weakness, Peru plans to raise copper production from the present level of 200,000 metric tons annually to 400,000 tons by 1975.

At this juncture, we prefer to stay out of the market and await further developments.

#### GOLD

London's Second Fixing \$47.575

Culminating a few weeks of steadily rising prices, gold jumped sharply to \$49.25 (some dealings were reportedly done at \$50 per oz.) in what looked like an upside blow-off and, then, fell back rapidly on dealer mark-downs.

Senator Gordon Allott of Colorado will introduce a bill in Congress to allow U. S. citizens to own gold. Allott said the bill would give Americans the opportunity to hedge against inflation and might stimulate gold mining in the western states. Senators Jacob Javits and Mark Hatfield are sponsoring a similar bill and will seek to attach it to dollar devaluation legislation.

Should U. S. citizens be permitted to own gold, we might expect further strength in bullion prices. An indirect effect of the legislation may be a sharp drop in silver prices and gold shares as these have been held by the American public to be the most proximate substitutes of the yellow metal itself.

Our forecast of December 9th called for gold prices reaching \$47.40 - 48.00 within "perhaps, six weeks".

Accept profits at these levels and stay out of the market.

#### PLATINUM

April '72 101.20

Although we have changed our outlook on this market from bearish to neutral, we continue to maintain short positions keeping protective stops a 105.00 basis April '72.

#### COCOA

March '72 24.98

An assumption is being made that Ghana has been able to dispose of over 40,000 tons since December and, that, therefore she finds herself in no hurry

to sell, especially so on price weakness.

New recovery highs were achieved today as March touched 2550 (10 points below our suggested sale price of 2560) before turning down to close unchanged for the day.

With prices up over 500 points from the late December lows, we feel that the risk-reward ratio has shifted rather dramatically against bull positions. Consequently, price strength should be utilized to lighten long commitments.

COTTON

March '72	37.93
October '72	34.05
March '72	32.80

The bear trap has been sprung open and a squeeze on the nearbys is now a real possibility.

Add to previously established long positions. Our near term target for March 1972 is 39.80 while we see the October and March '73 move up pretty much in unison.

LEAD

London 3 mos £109.00

Reports continued to circulate on a proposed European producer price for lead at £120 for the high quality 99.99 per cent grade. The small .50 cents increase in the U. S. producer price is a further indication that better demand conditions have ended the ruinous price war.

We continue to adopt a very constructive attitude to this market and add to previously established long positions on dips.

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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 specializes 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.

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