

# FRIEDBERG & CO. LTD.

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## COMMODITY COMMENTS

February 23, 1972

### N. Y. SILVER

Spot	148.40
July '72	151.90
Comex Warehouse Stocks	115.730.000 - 292.000

With very little fresh news in the international monetary situation, silver prices drifted laterally this past week. Range for the past 6 trading days was slightly more than 300 points.

We pointed out last week that July may find some support at the 14980 - 15020 area and suggested taking short term profits on previously established short positions. On Wednesday February 16th, commission house liquidation and local shortselling set off stops and July touched an intraday low of 14990. Subsequently prices recovered and closed 10 points higher to unchanged on 2661 lots, the heaviest daily volume for the week.

At this writing, a potentially bearish technical picture is being formed on the daily charts. The formation is commonly known as a top reversal head and shoulder; if carried out it implies sharply lower silver prices in the weeks and months ahead.

Sell on 250 - 350 point rallies, or failing such an opportunity, on July '72 breaking 14900 on the downside. Protective stops should be kept at 158.00.

### COPPER

Spot	50.25
July '72	51.35
London 3 mos	£437.5

Six major copper smelters in Japan have requested a 20% reduction in Canadian copper shipments due to begin in June. The smelters have been forced to cut back production my more than 20% due to a business recession in Japan, and their inventories have recently grown to over 70,000 tons.

Heavy turnover last Thursday took Comex copper futures to new high ground (July touched 52.40, 20 points higher than the previous 5 month's high) but gains

were not fully maintained and prices closed 15 to 35 points below their best levels. As evidenced by the open interest figures, a massive shortcovering operation took place that day - mostly on stop - buys placed at 51.80 basis May '72 and 52.25 basis July '72.

All through the coal strike that paralyzed the U. K., Wirebars showed a remarkable upward bias and crept up to £438 for 3 months early today. This level is widely thought to be, by London dealers, the last major obstacle before Wirebars move to £475.

Late today, Comex prices suffered a sharp setback as, once again, commission house liquidation set off stops. Perhaps coincidentally, it was reported today that fourth quarter GNP was revised downward by \$100 a million and that Henry G. Wallich, senior consultant to Treasury Secretary John B. Connally, had pared the forecast of this year's GNP gain from \$98 billion to \$85 billion. It was only five weeks ago that a similar downward revision of GNP gains triggered-- or was helpful in triggering a 360 point drop in futures in a period of 3 days.

We still remain uncommitted to this market and advice to stay on the sidelines.

#### LEAD

London 3 mos £118.25

As we have suggested for the past 5 weeks, sizable reductions in LME Warehouse Stocks ----- this week 2300 tons --- have been the harbinger for a much better price performance of free lead.

Prices surged forward today and 3 months was being quoted at 118.25 - 118.75, almost £4 higher than yesterday. Turnover was heavy at 14000 tons.

Continue to maintain long positions established in the 103.50 - 105.00 area with a view towards taking some profits at around £120.00.

#### COCOA

May '72 23.90

Offtake by manufactures remains limited and of course, now it remains to be seen the impact that the coal strike has had on U. K. grindings for the first quarter.

Ghana's purchases of 5292 tons for the week ending February 10 brings the total to 400986 tons versus last year 357778 tons at this time.

The trading opportunity to scalp this market from the longside, as suggested last week, presented itself twice. Today was the second time, as N. Y. opened 20 - 30 points lower in sympathy with London and closed up 26 points.

We would initiate short position below 23.30 basis May '72. On the other hand, a move above 24.15 may bring about a further test of the recent recovery high.

COTTON

March '72 37.50  
July '72 37.26  
October '72 33.90

The Agriculture Department in its latest cotton situation report said that the U. S. cotton outlook for the remainder of the marketing year ending July 31st is highlighted by a continuing tight supply situation.

Anticipated domestic and export needs may exceed the 1971 crop of 10.4 million bales by at least 75,000 bales. Carryover will thus fall to about 3.5 million bales, well below July 1971 reserve stocks of 4.25 million bales.

The short term play is on the nearbys (May and July '72) and that's where traders will do best in concentrating. For longer term investors, we suggest purchases of October '72 and March 1973 contracts, at substantial discounts from Spot.

LIVE CATTLE

A SPECIAL SITUATION

April '72 35.10

What's behind the beef cattle boom? Chiefly a boom in beef demand. It traces in part to population increases --- the addition of two million new customers each year. But it's not just that. Not only are more people eating beef, but more people are eating more beef. Per capita beef consumption for this year will nearly double that of the 1947 - 49 period. Coupled with this increased demand has been a shortage of choice steers particularly in the mid-west, and a total per capita supply that has not increased sufficiently to meet expanded demand.

On the 18th of this month the February contract went off the board (37.25) after reaching a new high earlier in the same week. Currently the April contract (35.10) is underpriced to current cash values.

We look for continued price firmness in the near term and suggest purchases of the April contract in the 34.75 - 35.00 area or on breakout above 35.45, with an objective of 37.50 - 38.00.

CONTRACT FACTORS

EXCHANGE	Chicago Mercantile Exchange
HOURS OF TRADING	10.05 A.M. - 1.40 P.M.
CONTRACT SIZE	40,000 lbs choice grade live steers
COMMISSION	\$40.00
MARGINS ON TRADES	\$500.00