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COMMODITY COMMENTS

July 12, 1972

PLATINUM

July '72	124.00
January '73	123.00

Platinum prices shook off their 18-month lethargy and came to life with a vengeance. On May 12th, the nearest contract closed at 102.00; by May 31, July '72 had advanced to 109.00. In the following four days, prices soared \$25/oz. in a spectacular demonstration of pent up speculative demand pit against a market lacking serious offerings. Volume reached a feverish 2,979 contracts on Tuesday, June 6th, and the inevitable connection set in. The advance was accompanied by a steeply rising open interest, reaching a peak on the 6th at 6,780 contracts, a two-year high and well above the 3,000 level recorded only three weeks earlier.

What set off this huge advance? Without any doubt, speculative interest was reawakened by the refusal of the Environmental Protection Agency (EPA) to extend the January 1, 1975 deadline for a 90% decrease in auto exhaust pollution from the 1970 level. The platinum group, at the moment, enjoys the best chance of being selected as the catalyst in the auto exhaust emission control race. Engelhard Minerals & Chemicals is reportedly in the final stages of negotiating a new agreement with Ford Motor to construct and equip the necessary plants to produce the PTX platinum catalytic converter for the 1975 model year and beyond. Chrysler is reported leaning toward Engelhard, too. This is supported by Chrysler testimony that its best results to date, in test for the 1975 standards, have been achieved with an Engelhard device.

In addition, the EPA would require nationwide availability of virtually lead-free gasoline in time for 1975 car model production. Substantial quantities of new catalytic changes, particularly platinum, will be needed in catalytic reforming towers as the petroleum refining industry steps up its production of low-lead and no-lead gasoline.

Should Federal officials hold fast to their deadline and should automakers be unable to perfect other non-platinum devices, the market will be faced, at least in the near term (12 - 24 months), with a rate of consumption far exceeding present production.

Much has been said about onerous over-supply conditions; our intelligence is that probably no more than 500,000 ozs., and perhaps as little as 300,000 ozs. can be considered excess inventory on a global basis. Our estimate of potential demand for the 1975 model year (production begins in mid-1974 and supply must be available and committed many months before) is upwards of 1.5 MM ounces (for a more detailed statistical breakdown of supply and demand, please refer to our initial report of March 13th entitled: "Platinum: A Bullish Reappraisal").

What lends increasing force to the bullish argument is the depressed level of prices (even after their spectacular run up, prices are still down 55% from their peak price of \$300/oz. recorded in 1968) and the low level of public participation. The speculator must weigh initial commitments against this background; as higher price levels are reached, the uncertainties surrounding the outlook will become more serious.

Our initial recommendation, July '73 at 103.80, stands as a lesson to the rewards of patience and paid off handsomely to those investors willing to forego the "quick buck" in return for a calculated long term gamble. It further proved that the time to buy is in the midst of despondency--when prices look like they can never again resume the upward climb.

Maintain initially established long positions. Additions could be made at today's closing levels.

N. Y. SILVER

July '72	158.80
December '72	162.60
Comex Warehouse Stocks	101,940,000 - 500,000 ozs.

Silver prices reacted once again in a lacklustre fashion to two extremely positive events: the decline in Comex Warehouse Stocks to the lowest levels in three years and the post-war record high in gold bullion reached late last week.

Comex Warehouse Stocks, at 101,940,000 ounces, is expected to drop further in coming weeks as holders of silver bullion continue to seek lower rates in cheaper warehouses.

A very broad trading range has now developed under the broken uptrend line, but fluctuations lack meaningful direction. The market must still prove that it can reward the buyers of the contango.

Remain short, as previously suggested, with protective stops at 162.00 basis July '72.

COPPER

July '72	48.90
December '72	50.30

LME Warehouse Stocks registered a small decline from the lofty levels reached recently.

Bullish news did not prevent the market from testing its recent lows. Rising open interest as the market gave way, added fuel to the still poor technical picture.

We repeat last week's advice: traders should keep to the sidelines, but investors may consider a scaled down purchase program as prices may still work 100 points lower. Keep in close contact.

CANADIAN DOLLARS

July '72 102.120
December '72 101.790

Interest rates continue to favour Canada as the following table shows:

	<u>CANADA</u>	<u>U. S.</u>	
Prime (90 days)	6.00	5.00	%
Commercial Paper (90 days)	6.25	5.00	
Acceptances (90 days)	5.70	4.50	
Time Deposits	5.50	4.40	

As a consequence, the spot Canadian dollar has moved up to new highs (102.55 and July '72 reached 102.500) while the forward discount roughly offsets the interest rate differential.

We expect U.S. interest rates to move up in relation to Canadian rates over the next few weeks and, therefore, foresee some easing in the Canadian spot rate and a firming in the forward.

Advise purchase of December '72 contracts at present levels; the contract calls for 200,000 Canadian dollars; initial margin required is \$2,500.

BRITISH POUNDS

July '72 26050
December '72 25950

The British balance of payments fell to a \$78 million surplus in the first quarter of 1972 compared to \$629 million surplus in the last quarter of 1971.

Inflation has begun to accelerate; consumer prices increased at a 6.2% annual rate in the first quarter of the year, from the low of 5.2% reached in the fourth quarter of 1971. Wholesale prices jumped for the same period from a 2.9% annual rate of increase to 5.9%.

Money supply figures soared at a 28.8% annual rate of increase in the fourth quarter of last year, well above the average 14.7% recorded since early 1970. The last six months have seen a rate of growth of well over 20% per annum. The economic expansion now underway requires an increasingly large dose of money.

We believe that in the months ahead, as inflation accelerates and Britain faces entry in the European Common Market, sterling will depreciate and perhaps reach the level recorded at the end of 1971--approximately \$2.50.

Sell December '72 contracts at present levels; contract calls for £50,000 and margin required is \$2,000.

TECHNICAL TRENDS

COCOA

July '72	27.08
September '72	27.65

Continue to hold previously established long positions with short term traders placing stops at 26.75 basis July '72 and position traders risking 26.00.

CATTLE

June '72	38.40
August '72	36.92

This one has to be one of our best plays--we are long June at 34.50 for a four cent gain equalling \$1,600 profit per \$500 investment.

August long can be maintained risking 36.70.

PLYWOOD

July '72	115.40
September '72	107.50

The Bull Market is in full force. Continue to accumulate nearby positions on any dips.

WORLD SUGAR #11

July '72	7.16
September '72	7.13

We are getting a bit nervous. Long positions taken at 6.75 basis July '72 can be maintained, but raise stops to 6.95.

Albert D. Friedberg
Vice-President
Commodity Futures.

All statements made herein, while not guaranteed, are based on information considered reliable and are believed by us to be accurate.