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COMMODITY COMMENTS

February 27th., 1973

<u>Cocoa</u>	March '73	35.34
	May '73	35.74

The long heralded upside breakout of cocoa prices took place last Thursday amid soaring prices for gold and other international Commodities and a weakening U.S. dollar. A twenty-week long high level consolidation with perfect resistance levels built up at the 34¢ area had masked a huge technical accumulation-confusing most trend-following analyst.

What had in fact occurred during those five month? For one thing, it allowed origins to hedge and market most of their record output without upsetting the price structure. Secondly, it washed out rather succesfully the excess baggage of tired longs putting the market in a much better technical position: the tips off to the much changed composition of the open interest came on Thursday when an unscheduled Gillis & Duffus report lowering the anticipated deficit for the year from 88.000 to 58.000 tons did not stop the incipient bull move. The fallacy, in our view, in the Gillis & Duffus report lies in its grinding forecast which had been cut 19.000 tons. Our view has been, and remains, that consumption of cocoa at these price levels (especially when adjusted for the recent dollar devaluation) had to increase substantially. The longer the price level remained stationery in the 31-34¢ area, the higher was the probability that users would 'adjust' successfully to it without any need for cutbacks.

The final kiss of death to the bear argument came late last week when reports circulated of heavy Soviet purchases of Bahia cocoa and the possibility that the Temporao crop had been damaged by as much as 30%, bringing her down to 1.3 million bags as against Gillis & Duffus estimate of 1.5 million bags.

The massive high level consolidation should carry prices quite easily to our first target of 38¢ basis nearest contract. Looking farther ahead one can confidently say that the 1972-73 Cocoa Bull market will not top out before seriously challenging the 1966 top of 45¢/lb.

Add to previously established long position on any prices weakness.

Gold

London's Second Fixing 80.70
Winnipeg April Gold 80.80 A.

Distrust of paper currencies reached a feverish pace last Friday when gold traded as high as 95/oz. in both London and Zurich.

A consolidation at present levels would signify a push to new highs in the not-too-distant future; a slow drop to below 75/oz. may mean that the bull move now is over. Since convertibility is not yet in sight and, instead, the official price continues to drag behind the free market prices thus vindicating the latter, we continue to adhere to the bull side of the argument.

Maintain long positions established in Winnipeg April '73 gold at \$ 65.44 risking a fixing below \$ 75/oz. (Keep in close touch).

TECHNICAL TRENDS

Copper

May '73 61.20

We missed this spectacular bull market but find that on a risk reward ratio it is now too late to get long. Stay on the sidelines.

Corn

March '73 1.67 5/8
May '73 1.59 3/4

Remain long (switch long March '73 onto May).

Coffee

July '73 78.85

Highly speculative but looks explosive; buy at market.

Cotton

July '73 39.10
October '73 37.72

Once again the long side is the right side. Buy at market with 100 points mental stop.

Live Cattle

April '73 45.42

Live Hogs

April '73 36.27

Pork Bellies

March '73 55.27

Our short position in Cattle, Hogs and Bellies were all stopped out fairly quickly as per our previous suggestion. What looked like the beginning of a Bear Market ended up as merely a shakeout in a spectacular Bull market.

At this time, Cattle still looks like heading for higher levels. Buy at market April '73 with stops at 44.40.

Oats

July '73 92.00

Buy at market with protective stop at 88.00.

<u>Platinum</u>	July '73	169.50
	April '73	165.50

Maintain longs tightly as we foresee first target of \$ 180/oz. basis nearest contract and eventually, a more above \$ 200.00/oz.

<u>Silver</u>	March '73	2.3720
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Long terms account should remain long risking the 2.20 area. As the vertical ascent becomes more pronounced, extreme care should be exercised in further pyramiding. We are entering the terminal stage of a great Bull Market which should be able to challenge the 1968 high of \$ 2.56/oz.

Remain long and careful.

<u>Soybeans</u>	March '73	6.68 1/2
	November '73	4.18 3/4

The incredible surge continue with no end in sight yet. Our misguided short position in November was stopped out 25¢/bu. higher.

We'll wait for another day.

<u>World Sugar #11</u>	May '73	8.42
	July '73	8.05

A turnaround may be at hand; for long recommendation keep in close contact.

INTERNATIONAL MONETARY MARKET

<u>Japanese Yen</u>	March '73	38.300
	April '73	38.564
	March '74	39.300

Our spread March '73 - March '74 Yen sold at 2348 points was bought back at 1000 points giving us a net profit of \$ 3,330.00 on a \$ 1,000.00 margin.

We also sold our long April '73 Yen bought at 35,000.00 as a hedge against short March '74, for 38.500 and bought back the March '74 at 39.900. Total profit \$ 1,210.00. Move to the sidelines.

<u>Canadian Dollar</u>	March '73	101.040
	June '73	101.200

Continue to watch this market closely; buy June '73 at market if SPOT closes above 101.30.

Albert D. Friedberg
Vice-President
Commodity Futures.

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