friedberg & co. ltd.

INTERNATIONAL COMMODITY BROKERS
FOREIGN EXCHANGE DEALERS
FINANCIAL SERVICES

34 ADELAIDE STREET WEST
TORONTO 1, ONTARIO, CANADA
TEL: (416) 864-1195
CABLE ADDRESS: FRIEDCO TORONTO

COMMODITY COMMENTS

April 12, 1973

Cocoa	*May '73*	*41.55*
	July '73	*41.22*

After posting new seasonal peaks in all positions, cocoa prices receded just slightly under the influence of profitaking and a lower than expected U.S.grindings figure. The feature of the N.Y. market has been the narrowing of the inverse premium enjoyed by May vis à vis July & September. Apparently the tight delivery situation being anticipated in London will not take place in New York.

Yesterday, Gill & Duffus raised its forecast deficit of supply over demand in the 1972/73 cocoa season to 126,000 tons from their last estimate of 58,000 tons (and much closer to our own estimate of almost 160,000 tons). The report says there has been a substantial drop in the forecast for the Brazilian crop & the estimates for certain African countries have been scaled down slightly reflecting the poorer prospects for the summer crops. After revising downward the Temporao crop to 800,000 bags from 1.5 million bags, the report puts overall production in Brazil at 165,000 long tons against its earlier forecast of 206,000 tons. Other downward adjustments have been made for Ghana, Nigeria & Cameroun.

The 3.59% drop in U.S. grindings for the first quarter of 1973 was about in line with trade expectations. Still to come are U.K. & German grindings. Our feeling continues to point fowards a general underestimation on the part of leading trade houses of global grindings for the 1972-73 season.

The steep advance from January lows has been rather orderly with quiet consolidations along the way. These consolidations, preceded by sharp daily reversals, have helped to keep bullishness down to "manageable" levels. We thus find only a modest speculative following.

The latest consolidation should resolve itself on the upside & therefore presents a new buying opportunity. Place protective stops at 40.50 basis May, on close only.

N.Y. Silver — July '73 229.50

London Silver — 3 months bullion fixing 92.60

A quiet but rather defensive mood has prevailed in the silver markets of late. Uncertainty over the size & mode of liquidation of the U.S. Government stockpile holdings of silver plus renewed strength of the U.S. dollar has been reflected in a trading range of roughly 1000 points.

The desultory & listless trading pathern of the last two weeks hides what in our opinion is a major build up of technical strength; the sharp contraction in open interest & the recession of the generally bullish conditions prevalent only 6 weeks ago almost guarantee a rise of major proportions.

Continue to accumulate long positions at these levels; do not place stops & do not be deceived by what looks like a sure-fire trade, i.e., a sale at the upper part of the trading range. Our first major objective is 250.00 basis July '73.

Canadian Silver Coins

Spot	1130-1225
July '73	1159-1256
Sept. '73	1177-1275
Dec. '73	1204-1304
Mar. '74	1232-1333

The unfortunate political decision taken by Canadian Government in re-emposing an export embergo on Canadian silver coins forced this market sharply lower on April 6. Prices displayed a remarkable resiliency in the subsequent days & have been recovering steadily. Offering prices, at the close of today, were approximately 8% below their bullion equivalent. Should the present degree of interest continue the discount to silver will all but disappear within the next few months. Spreads have widened some from pre-embergo quotes but, here too, an improvement has been made in the last few days & a further narrowing is anticipated in the near future.

A few weeks ago we recommended silver coins as a limited risk approach to silver investing; today they not only offer a limited risk but also represent - by selling at a discount from silver - a rare bargain.

Technical Comments

Copper

May '73	70.60
Jan. '74	65.70

Incredible, but still looks higher. Would trade this market from long side. Keep in close touch.

Coffee July '73 56.73

Rumours that Brazil had withdrawn its latest 2 million bag export quota increase triggered a limit up move today. Cash prices stand now will above nearby futures.

Remain long.

Cotton July '73 43.91
Oct. '73 40.40

Remain long & place protective stops at 39.50 basis Oct. '73.

Gold Apr. '73 (Winnipeg) 91.75

We last suggested that gold's risk/reward ratio has shifted in favor of silver. A switch would have been made at around the $90 level & into July '73 silver at around $2.30/oz.

Live Cattle Oct. '73 42.00

Live Hogs Oct. '73 31.35

Pork Bellies July '73 50.95

Short positions in the meat complex should now be closed out. In fact, deferred options of Live Cattle & Live Hogs represent excellent values considering their discount & the inevitability of live animal prices recovering to "theoretical" ceiling prices (caculated by a Purdue economist to be around 35.00-37.00 & 44.50-46.00 for Hogs & Cattle respectively).

Buy Oct. '73 Live Cattle & Live Hogs for 250-350 point gains; trade Bellies from the long side.

Platinum April '73 139.00

At long last, the EPA's final decision: a compromise that will still require catalytic converter even though federal pollution standards are being temporarily relaxed.

We suggested in last issue that all the negatives still did not add up to below $150/oz. quote. With the EPA's decision now out of the way , a strongly bullish position is advocated. Add to existing long positions at market

Albert D. Friedberg
Vice-President
Commodity Futures

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