

# friedberg & co. ltd.

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## COMMODITY COMMENTS

May 8th, 1973

<u>N. Y. COCOA:</u>	May '73	50.60
	July '73	48.90

The steady advance in prices began in late January of this year from the 31-32¢ area accelerated in the last 2 weeks & was capped today by the third consecutive limit advance. Unlike previous such occasions, the market remained firmly locked up at the 100 point limit from the opening bell; more than 1900 bids remained unfilled. A relatively modest 117 tenders have been issued against the N. Y. Spot May position while over 700 contracts remain open.

In London, Spot May tenders now stand at some 2599 originals & 383 retenders. A very steep backwardation has developed in London with May at over £45/ton over September. Origins, mostly sold out, remain very reserved; intermediate crops are thought to be only sufficient for local needs. An almost incredible reluctance to sell on the part of Tempora growers has added to the developing tightness.

We have held & continuously recommended cocoa since late June '72 when the nearest contract hovered around 27¢/lb. A small fortune would have been possible by holding out to long positions. The question is now, when does one sell?

We believe that the last few days represent the beginning of the "blow-off stage" so typical of bull market peaks. Fluctuations will become ever more violent & many chart reversals will prove to be mere consolidations. There are no hard & fast rules of thumb that may help in identifying the "top" but some points are worthy to watch:

- (a) a sudden bulge in open interest, at least 500 contracts & perhaps as much as 1000 contracts;
- (b) a reversal (especially in London) where a new high is reached but prices close below the previous day's low; on very heavy volume (at least 3000 contracts).
- (c) a sudden increase in the bullishness consensus to something over 95%; or 2 weeks running to over 90%.

Any one of these 3 events or a combination of them may spell a sharp drop or even The End. Longs are urged to keep in close contact.

N. Y. SILVER:

July '73 223.90

On April 16th, the U.S. Government confirmed that it was looking to dispose of over 117.50 million ounces, presumably enough to fill the production shortfall for the next 2 years. Subsequent to the announcement, silver values fell sharply with July '73 falling to 209.00. It was one of those rare occasions when the dissemination of widely known "news" affected the market. In retrospect one might say that buying on these news proved to be rather profitable.

The gloom & doom of the stockpile disposal ignored: (a) the timing of the disposal - perhaps as far away as 9 months by which time Comex Warehouse Stocks may be nearing exhaustion; (b) the potential 30-50 million ounces required by the Royal Canadian Mint which contemplates selling over 4 years \$420 million face value of silver coins commemorating the Olympic games; (c) the extremely low valuation of silver vis à vis gold -- 42.5 - 1 -- in fact the lowest on modern record; (d) our inventory cycle model indicating a potential demand of well over 30 million ounces over the next 3 months.

Domestic primary silver production increased 1.6% in February. to 3.23 million ounces, 17% lower than the February 1972 figure. Imports totalled 5.11 million ounces, 18% lower than in January, & exports totalled 0.75 million ounces, according to the U.S. Bureau of Mines.

We remain very bullish in silver, particularly for its near term outlook & expect prices to test the 2.35 - 2.40 area basis July '73 before long. A successful challenge to the high of 2.74 is envisioned within the next 4 months, probably in conjunction with new highs for gold.

Remain long; again, do not place stops.

<u>CANADIAN SILVER COINS:</u>	Spot	1130-1180
	July '73	1150-1210
	Sep. '73	1170-1230
	Dec. '73	1200-1260
	Mar. '74	1220-1280

Canadian silver coins represent a limited risk approach to silver investing & an unusual play on a disappearing commodity.

Each bag consists of \$1,000.00 face amount of Canadian silver coins in the form of half dollars, quarters, or dimes. Each \$1,000.00 in face amount of Canadian silver coins contains approximately 585 fine troy ounces of silver. In essence, then, an investor buying one bag of Canadian silver coins (spot or forward) will enjoy a limited downside risk (as the bag cannot fall below its monetary value of \$1,000.00 no matter how low silver goes) while at the same time he can benefit from a rise in the price.



COFFEE: July '73 67.05

We picked up 11 cents since our last issue when we suggested that nearby futures were selling at below cash values.

Remain long but place stops 62.00 basis July '73.

COTTON: May '73 51.70  
July '73 51.70  
Oct. '73 50.05

Another spectacular winner; in the last 3 weeks alone prices have risen over 1000 points - equivalent to a \$5000 profit per contract.

With 2 minor selling points (having re-entered the market at slightly higher prices) we are long this market since late October 1972 with prices as low as 27.00 basis May '73.

A top may be in the making so it would be best to keep in close touch. Long term traders should remain long & risk 46.50 basis Oct. '73.

GOLD: London's Second Fixing \$90.00  
July '73 (Winnipeg) 92.00

Although we feel that upside leverage has been shifted to silver (and platinum) we continue to believe that gold prices will work higher over the next few months.

Long term traders should remain long; traders looking for leverage should continue to switch over to silver & platinum.

LIVE CATTLE Oct. '73 44.05

LIVE HOGS Oct. '73 35.05

PORK BELLIES July '73 53.82

Our April 13th Comments caught the re-emergence of the Livestock bull trend; we are long Oct. '73 cattle at 42.00; October '73 hogs at 31.35 & July '73 bellies @50.95

Remain long.

