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COMMODITY COMMENTS

June 27th., 1973.

Freeze 11 or Phase 1V will,

a) create bottlenecks & shortages in basic areas of the economy - black markets and/or plant closures (especially processors) will be common.

b) induce exports of commodities that are normally imported into the U.S., i.e. silver & oil when prevailing world prices are above U.S. prices - thus compounding shortages.

c) discourage expanded production (concrete examples in the past 2 weeks are Broilers & Hogs) & thus preserve present high prices for the foreseeable future.

d) divert excess liquidities normally "absorbed" by high prices to speculative activities such as uncontrolled commodities, land & art.

e) prolong the present unsustainable rate of expansion in the U.S. economy as consumers are lured into a "buy now" policy - this could revert the present trend of diminishing aggregate demand.

f) turn a dejure U.S. dollar incorventibility into a de facto inconvertibility by threatening to block exports which represented almost ¼ of total U.S. exports - the reaction in the foreign exchange markets was none too surprising.

The present rate of inflation is still negating the "biting" effect of rising interest rates, the only known cure for runaway markets. A real interest cost must penalize the borrower; with CD's yielding 8.40% & 6 months Eurodollars straddling 9%, we might still be 2 - 4 percentage points away.

Cocoa	July '73	64.60
	Sept. '73	62.85
	Dec. '73	57.60

An almost complete absence of Origin selling, continuing unfavorable weather in West Africa & Superb Dutch Grinding figures contributed to a fantastic 900 points advance in less than 2 weeks. Trading conditions were *characterized as extremely thin with buying of a shortcovering nature and selling mostly associated with profit taking.*

The May Dutch Grindings were 11,002 metric tons vs. 9,120 a year ago, a 20% increase in spite of a rise of 100% in prices. These figures support quite strongly our long held view that consumption will increase rather substantially over the 1971-1972 season in spite of higher prices.

Friday's 90 points rise was accomplished on such low volume (less than 1300 contracts) that an imminent exhaustion was indicated. Monday saw New York values rise to new highs, again in thin tradings, to later collapse in heavy turnover & form a classical "key reversal." Adding to the reversal characteristics were:

a) a generally sluggish and reluctant London market where values fell just short of establishing new highs.

b) an unusual jump in bullish sentiment on the part of commission houses.

Today London confirmed the downtrend by gapping down and leaving behind a much feared "island reversal."

Short of sensational news, the present correction should be allowed to work itself down to a more manageable level - our first guess is about 300 points lower.

All our long positions have been closed out as of today, and wait to reenter on new contract highs only.

N. Y. Silver	*July '73*	*269.80*
	December '73	*277.80*

Once again a price ceiling hangs over silver deliveries. Once again we predict that the ceiling will prove to be a false resistance area. In fact, 27180, the ceiling for spot, will be the floor and support a move to new highs. The longer prices remain under 270.00 - 272.00 the greater will be the upside move. Right now our guess is $3.35/oz.

We continue to maintain an aggressive buying policy.

TECHNICAL TRENDS

Copper	*July '73*	*80.05*
	December '73	*75.45*

Testing the 1970 highs. No doubt we are still heading higher.

Corn	*July '73*	*2.28*
	December '73	*1.96*

The trend remains up.

Remain long and move up protective stop to 2.10 basis July on close only.

Coffee	*July '73*	*62.45*
	September '73	*66.15*

We have been stopped out of our long July '73 at 63.50.

Stand aside.

Cotton	Dec. '73	52.14

A new bull move has begun which should take prices to the low 60's in fairly short order.

As per our previous suggestion, we are long December '73 at 51.00.

Gold	London Second Fixing	123.50
	July '73 (Winnipeg)	124.00

A minor upside breakout was made today.

Should the market move higher again tomorrow, we would add to present long positions.

Raise stops to $112.00 basis London Second Fixing.

Live Cattle	October '73	48.07
	February '74	48.57
Live Hogs	October '73	41.65
	February '74	43.40
Bellies	July '73	58.52
	February '74	62.55

There has been no easier way to make money than riding the huge Bull Market in livestock. Investing in livestock futures still remains one of the finest inflation hedges anywhere.

Switch October and July '73 positions to February '74 as spreads will widen due to 'freeze' effects.

Canadian Silver Coins	July '73	1240 - 1330
	March '74	1340 - 1440

Disappearance is proceeding at a rapid pace, moving into hoarders' vaults, illegal melting operations and smuggling.

The lack of offerings in spite of rising dealers' bids has been a feature of the past two weeks and will no doubt work to close the discount to bullion.

A new trading position has been opened, July 1974, and has already enjoyed active participation. Investors' continued interest is highlighted by 'roll-over' or switch operations from nearby positions to distant March '74 and July '74.

Canadian silver coins (especially Dec. '73 through July '74 positions) still represent one of the safest and most attractive plays in the precious metals group.

Rubber	October/December '73	32.50 - 33.00
	July/September '74	29.50 - 30.00

The spread has widened to 300 pts. from the original 40 pts. when first recommended and should be closed out.

As we have been saying for the past two months, this market could become one of the real glamour situations of 1973.

New purchases should be restricted to reactions of 300 points from any high. Since October/December '73 sold at a high of 34.75 this past Friday, new purchases should be undertaken in the 30.00-32.00 area.

Contract calls for 15 tons; every 1.00 pence per kilo represents a £150 gain; margin is $1000 and round turn commission is $75.00.

Albert D. Friedberg
Vice-President, Commodity Futures

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