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COMMODITY CONTENTS

February 7, 1974

The lofty highs of the Summer of '73 have been bettered. Professional and amateurs alike watch in awe the consequences of the unparalleled monetary expansion that took place in the Western World in the 1966-1973 period.

Historical price comparisons have dropped by the wayside as Potatoes reach \$14/cwt, Sugar 18 1/2¢/lb., Silver \$4.50/oz., etc. Those that have missed this greatest Bull Market in history become rabid short sellers, adding fuel to the advance as they reach the limits of their resources and are forced to cover. Quick two and three day shakeouts renew the hopes of the bears, but they finally succumb as the bulls, with blood in their teeth, turn the table and move to new highs. Saddest of all, among the bears you will find professionals, the so called "trade houses".

Just as no bear market of significance has ended without a major financial disaster (a la Penn Central) no bull market worth its salt will spare a victim: Rowntree McIntosh was Cocoa's lamb, who will be Sugar's? And Silver's? But of course, there will be one and it will establish firmly that a new and dangerous era has begun.

As far as markets are concerned, most trends are still pointing upwards although, for a change, some cracks in the structure are apparent. Our extreme bullish posture of November 29th. has been handsomely vindicated. At this time, however, we would rather concentrate our thought on establishing new positions only in situations where the risk/reward ratio is highly favorable.

Technical Trends

Cocoa

March '74 57.35

Slow in coming, the uptrend has finally begun in earnest. Prices appear to be coming off a massive double bottom, accompanied by an extremely low level of public participation and an apathetic trade interest. We rate this market a strong buy especially the May and July positions. Call options in London can be acquired advantageously.

Coffee

May '74 77.85
March '74 (Robustas) £ 551.0

These markets were first recommended in the mid-60's (for the New York "C" contract) and the low £ 400's (for the Robustas). The widening Contango, with its implication of a soggy spot market, and the high level of public bullishness may be signifying an impending downward correction of some magnitude.

Sell long positions and move to the sidelines.

Grains

March '74 Wheat	5.58	March '74 meal	164.30
May '74 Flax	11.16	March '74 Bean Oil	29.22
March '74 Beans	6.28 3/4	May '74 Corn	2.99 1/2

Aside from some good-sized advances in Corn and Bean Oil, most grain markets have had a tendency to mark time with, perhaps, a slight upward bias.

We still foresee a large rise ahead for these commodities, although our timing may be a bit vague. At this stage, the conservative player should concentrate on Corn and Soybean Meal.

Livestock Complex

August '74 Cattle	53.20
August '74 Hogs	56.70
August '74 Bellies	56.70
May '74 Broilers	41.40

A five-month long base-building period is soon coming to an end and a major bull-move is in the making.

Demand analysis can be construed bearishly for the red meats as disposable income drops under the influence of soaring energy and food retail costs. Supply analysis, however, reveals that marketings will become ever more meager through the course of 1974 as the faulty economic policy of mid-73 take their toll on farmers' profit motivation.

Begin accumulating late summer positions and be patient--it has been the only way to make real money.

Orange Juice

March '74 54.00

O.J. has been repurchased at our target and long positions should be held risking 51.00 basis March '74.

Precious Metals

April '74 Gold 141.80

March '74 Silver 450.60

April '74 Platinum 205.00

Canadian Silver Coins March '74 2150-2340

Even a modest writer cannot pass up the comparison: Gold, Silver, and Platinum were recommended on November 29th, at \$95/oz, 3.00/oz and \$155.00/oz. A purchase of one contract in each would have resulted in an approximate \$35,000 profit on a \$12,000 investment. If you are not in constant touch with the market, raise protective stops to \$130 for gold (basis London Fixing), \$3.70 for Silver (basis March '74) and \$175.00 for Platinum (basis April '74). These stop suggestions are far from present levels and are intended to keep you riding the main uptrend.

Traders are urged to keep in very close touch.

Investors in Canadian Silver Coins have been rewarded quite amply as prices have kept pace with spiralling bullion prices. While the safety cushion of its face value is quite negligible at these levels, its nearly total disappearance has in our opinion established a floor at probably around \$1400-1500. With margins down to \$600.00 per bag, good pullbacks represent excellent buying opportunities.

Potpourri

Deferred Rubber deliveries look like a steal @ 45 p./kilo ...

Plywood in near term weakness, will prove an excellent long term hold...

Sugar

March '74 18.50

If you mortgaged your house, no matter how small it was (as per our October 31st, 1973 recommendation) and bought sugar at 9 1/2¢/lb you would be worth today well in excess of 1/4 million dollars (assuming the average value of a home @ \$44,000.00, \$1,500 original margin and no pyramiding.)

Our first target 16-18 ¢/lb. has been reached; the market remains technically very strong. Deferred deliveries are beginning to break out from a week-long consolidation and signal the continuation of the move into new and historical high ground.

Fundamentally, a recent Iranian tender for 80,000 tons of mixed sugars and Syria's purchase of whites confirm and validate paper values. More will be seen in tomorrow's Japanese tender.

If you are long, hold nearby and begin taking profits on 50-100 points rallies from present levels; if you are not in, buy some September '74 @ around the 13 1/2 ¢-14 ¢ level. Tread lightly.

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