

— Friedberg & Co. Ltd. —

347 BAY STREET
TORONTO, ONTARIO, CANADA M5H 2R7
(416) 864-1195
CABLE: FRIEDCO TORONTO
TELEX: 06-23446

Commodity Comments

June 30, 1976

Resistance

Commodity prices continue to find it difficult to advance over last year's July peak. Spectacular run ups in Cotton and Soybeans are being offset by substantial weakness in the Livestock Complex, Gold, Sugar and the Woods.

A very typical July/August peak may be in the offing and we therefore advise caution.

We will continue to adopt a numerical rating system which will be placed alongside the specific commodity heading.

6 (*****)	Very Bullish
5 (*****)	Bullish
4 (****)	Neutral-Bullish
3 (***)	Neutral-Bearish
2 (**)	Bearish
1 (*)	Very Bearish

A split rating will indicate our opinion for each particular month as to its expiring value.

<u>Cocoa</u>	*****	September '76	93.00
	*****	March '77	81.45

At the present time, Cocoa is the only commodity that may be called 'tight'. Nearby premiums remain stubbornly high and there is little relief in sight. Only seven deliveries have been effected against the N.Y. July position; London July becomes tenderable tomorrow.

Recent figures released by the Census Bureau underscore a very steady consumption pattern in the U.S.:

	<u>COCOA BEANS</u>	<u>COCOA BUTTER</u>	
May 76	47,922,973	4,712,633	
Apr 76	50,065,546	4,849,430	
May 75	39,058,098	1,265,873	
Jan-May 76	275,084,123	24,566,177	
Jan-May 75	212,432,508	10,402,089	
	<u>UNSWEETENED</u>	<u>UNSWEETENED</u>	
	<u>CHOCOLATE</u>	<u>COCOA</u>	
May 76	3,155,232	11,659,408	
Apr 76	2,311,162	12,928,690	
May 75	1,167,763	10,595,023	
Jan-May 76	17,805,616	71,933,878	
Jan-May 75	5,410,299	53,661,775	
<u>Copper</u>	*****	September '76	75.60
	*****	December '76	77.40

Prices continue to perform well in the face of widespread skepticism. Our long term forecast for 80-85¢/lb, an equilibrium level, is almost at hand. Sentiment has been aided by: a) worldwide economic recovery; b) a strong non-ferrous market; c) some developing tightness in aluminum and d) a still relatively depressed price.

Chile has pledged not to increase production above the 900,000 tons provided in 1975 and 1974. Brazil, a relatively new factor in World Economics, announced that it has agreed to buy a total of 140,900 tons from Chile this year as a result of an unexpected and substantial increase in Brazilian demand. Thank goodness, the world has not shrunk to the size of Japan!

Remain long and raise stops to 72.90 base December '76, on close only.

Frozen Concentrated Orange Juice

****	September '76	53.30
****	January '77	55.20

News that stocks of frozen orange juice may have been understated by 2 to 5 million gallons sent this market reeling into a tailspin.

The vicious five-months' long decline ended in a limit down move that probably marked the end of the move. Credibility, however, has been seriously impaired and there is little reason to jump back aboard on the long side except for trading turns.

Stay out.

Grains

**	December '76 Corn	2.74 3/4
**	December '76 Wheat	3.87 1/4

A USDA crop report issued today indicated an even larger than expected corn and wheat harvest for the 1976/77 season.

Farmers planted 34,092,000 acres to Corn (for all purposes) up from an intended 32,727,000 acres and 80,239,000 acres to Wheat up from an intended 78,374,000 acres.

Geared to the mid-point of department analysts' initial projections of likely yields, the acreage planted to Corn could produce a record crop of 6.4 billion bushels while Wheat's outturn may run 50.0 million bushels more than earlier anticipated, at 2.0 billion bushels.

In our opinion, these markets are now heading substantially lower. Sell December '76 Corn at market and set an initial target of \$2.40/bushel and, eventually, \$2.25/bushel. Place protective stops at \$2.90/bushel, close only.

Long Wheat positions should have been closed out at \$3.75/bushel basis July (as per last months' suggestion) showing a respectable 40¢/bushel profit. Sell December '76 Wheat @ 4.00 o.b. looking to cover at \$3.25/bu. Place protective stops at 4.01, on close only.

Interest Rate Futures

*****	September '76 GNMA	94.21
*****	December '76 GNMA	93.27
*****	December '76 TB	93.25

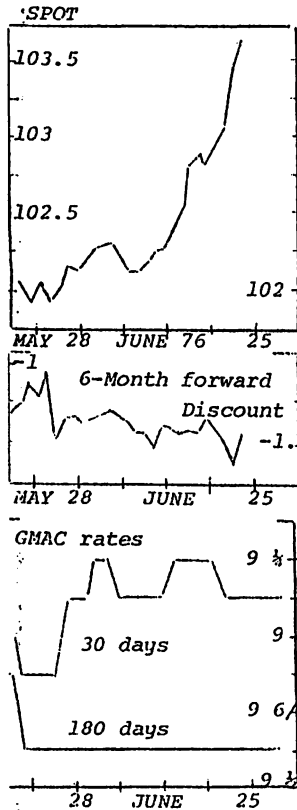
The latest spurt in interest rates is beginning to look increasingly more like an aberration in an otherwise bullish environment. The scenario has thus far unfolded exactly in line with our previous comments (An interest rate forecast, May 26). Three Months TB's have stabilized at the 5.35-5.40% level (against our projected maximum of 6-6 1/4% to end of year), the prime rate hit 7 1/4 and long term triple-A corporates have found good underlying support at 8.75% (both exactly in line with projections). Citibank's floating prime-rate formula could go to 7 1/2% in the next 10 days but it is doubtful that other major banks will follow given the exceptionally low level of loan demand. The 10 major New York City banks have reported a cumulative decline in commercial and industrial loans of \$4,725 million in comparison with a 4,087 million fall in the same period a year earlier. If prices are still being set by supply and demand factors, it is rather obvious that the prime rate is too high.

Aside from internally generated cash flow, corporations are flush with liquidity resulting from over-borrowing in the long end of the market. If all of this week's offerings arrive as expected, total June volume would be boosted to \$3.64 billion from 39 separate straight-debt issues. This compares with May's \$2.40 billion from only 23 issues and would be the largest of any month since last June. Considering the very sluggish pattern of capital appropriation and spending one would have to assume that corporations are still hoarding cash in the belief that current rates will not stay at these 'low' levels for too long. As inflationary expectations continue to abate, this 'hoarding' will subside and the unusually wide short term/long term rate spread will narrow.

We anticipate a 50 point drop in yields of long term government, agency, and

The Canadian Dollar

Sept. 76 : 102.55 Dec. 76 : 101.99

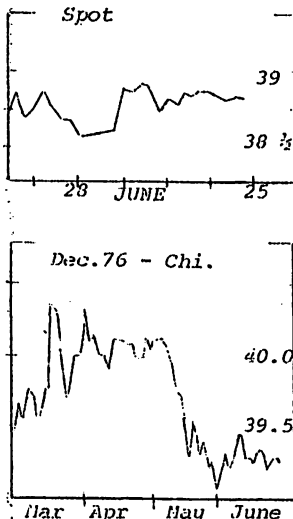


	Feb.76	Mar.76	Apr.76	May 76	**1975	**1976
Balance of Trade (mln \$)	+ 47	- 27	+ 62	+ 59	-640	-168
*C. P. I. %	+9.14	+9.02	+8.9	+8.9		
*Gen. Bank Loans	18.46%	20.94%	20.26%	20.53%		
	May 21	May 28	Jun. 4	Jun. 11	Jun. 18	Jun. 25
*Money Supply (M)	13.07%	7.5%	11.0%	9.1%	13.7%	N/A
*** Exchange Rate - Trade Weighted %	+8.90	+9.02	+9.56	+9.28	+9.68	+10.37
Euro Deposit %						
3-Month	9 3/8	9 5/8	9 5/8	9 3/8	9 1/8	9 1/2
6-Month	9 1/2	9 7/8	9 7/8	9 1/2	9 3/8	9 5/8
Open Interest (June 29):	299	Average Volume (June):		38		
Round Turn Commission :	60.00	Margin Required :		3000		
Contract Size :	100,000 CD					

 * COMMENTS : A renewed widening of the forward discounts coupled *
 * with a still tight monetary stance on the part of the Bank of *
 * Canada, helped push the Spot rate over the 102.40 level - a five *
 * months resistance area. After climbing rather quickly to the *
 * psychological 104.00 level, heavy profittaking & skeptic short- *
 * selling drove it down to 102.75 where it has now stabilized. *
 * *****
 * Despite the recent appreciation, Canada managed last month to move its balance of trade *
 * into the black. Monetary policy remains tight but little progress has as yet been made to *
 * reduce the growth of bank advances. Sooner or later, the recent speculative build-up in *
 * inventories (a swing of \$4.5 billion to inventory accumulation from forth quarter of *
 * 1975 to first quarter of 1976) will come to an end, loans will fall off & interest rates *
 * will drop. In the meantime, the one year discount has widened again to 240 points & *
 * remains the single best leading indicator of the future course of the CD. Short Sep. 76 *
 * positions put on at 100.95 were closed out on June 14th at 101.58, at the time when Spot *
 * bettered 102.40 (as per last month's suggestion). Buy Dec.76 CD & place stop at 101.20 *
 * alternatively, liquidate long position should the 1 year discount move below 195 points. *
 * *****

West German Mark

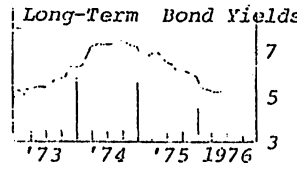
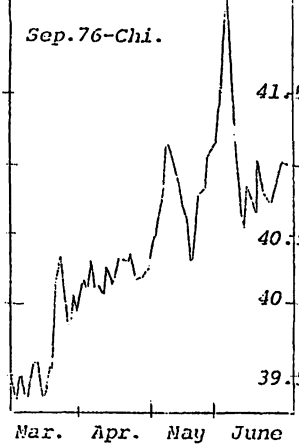
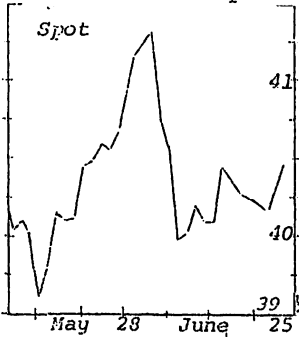
Sept. 76: 39.01 Dec.76 : 39.20 Mar.77: 39.31



	Feb.76	Mar.76	Apr.76	May 76	**1975	**1976
Balance of Trade (mln Marks)	+2,195	+3,850	+2,238	+3,290	+16612	+14068
*Cost of Living %	5.45	5.35	5.24	5.00		
	May 21	May 28	June 4	June 11	June 18	June 25
Net Monetary Reserves (mln Marks)	91,200	90,700	90,100	90,100	90,300	N/A
*** Exchange Rate - Trade Weighted %	+24.18	+23.90	+24.29	+24.72	+24.72	+24.61
Euro Deposit Rate						
3- Month	3 3/4	3 13/16	4 1/16	4 1/16	4 3/16	4 5/16
6-Month	4 1/8	4 3/8	4 1/2	4 7/16	4 11/16	4 3/4
Open Interest (June 29) :	619	Average Volume (june):		112		
Contract Size: DM 125,000	Round Turn Commission :	60.00	Margin Required :	3000		

 * COMMENTS : Remain sidelined. *
 * *****

Sep.76 : 40.92 Dec.76 : 41.47 Mar.77 : 41.95 Jun.77 : 42.50



	Feb.76	Mar.76	Apr.76	May 76	1975	1976
Balance of Trade (mln SFR)	+33.5	0	+176.6	+182	-1,404.3	+281.6
*C. P. I. %	3.05	2.5	2.22	N/A		
	May 21	May 28	June 4	June 11	June 18	Jun.25
Reserves (mln SFR)	12,103	12,637	12,663	N/A	13,737	13,919

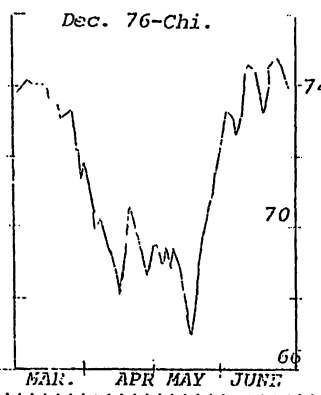
Exchange Rate-Trade Weighted %	44.18	45.95	48.58	45.16	45.39	45.41
Euro Deposit -						
3-Month %	1 1/2	1 13/16	1 12/16	1 13/16	1 13/16	3/4
6-Month %	2 1/2	2 9/16	2 1/2	1 13/16	1 9/16	1 3/4
Open Interest (June 29) :	1310	Average Volume (June) : 267				
Round Turn Commission :	60.00	Margin Required : 3000				
Contract Size :	125,000 SF					

 COMMENTS : In a class all by itself, the SF continues to appreciate. The adjacent tables and charts present a healthy picture : near price stability, trade surplus, low & falling interest rates ... Take note, realistic monetary policy (zero money supply growth between early 1972 & late 1975) yield low interest rate, low inflation rates & a highly competitive industry. There is no need for controls or complicated incomes policies.

 Remain long Dec.76 & raise protective stop to 40.90

Mexican Peso

Sept. 76 : 77.32 Dec. 76 : 75.00 Mar. 77 : 71.60
 Jun. 77 : 68.20 Sep. 77 : 65.70 Dec. 77 : 64.60



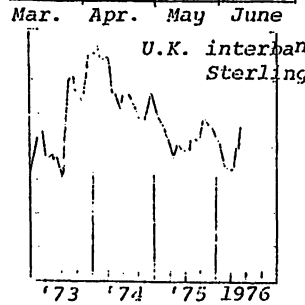
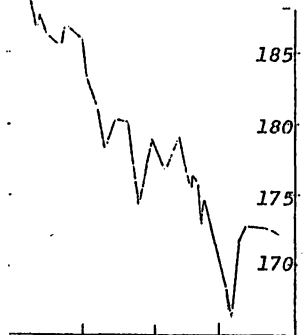
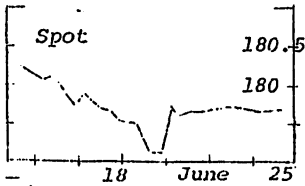
Spot -	Sep.76-	Dec.76-	Mar.77-	Jun.77-	Sep.77-
Sep.76	Dec.76	Mar.77	Jun.77	Sep.77	Dec.77

Forward Discount (Annual Basis)%	16.26	12.00	18.13	18.99	14.37	7.00
Open Interest (June 29) :	2682	Average Volume (June) : 35				
Round Turn Commission :	60.00	Margin Required : 10,000				
Contract Size :	1,000,000 MP					

 COMMENTS : If you had covered the June '76 position & remained long the Sept. '77 (as we advised last month), your original loss of 1200 points has narrowed to far more manageable 400 points (!)
 The N.Y. Federal Reserve reported last week that Mexico had drawn \$500 million on its swap lines during the Easter onslaught. The losses in actual reserves have not been disclosed but may have been considerable.
 Etcheverria's official line is still staunchly " anti-devaluationist " (& rightly so, as there is little to be gained from such experiments). Nonetheless, ongoing flight of private capital & hedge operations on the part of multinational corporations will force Portillo's hand & it is quite probable that a new run on the Peso & a subsequent devaluation take place in Dec.76-Jan.77. Sell Mar.77 against our long Sept.77 position, locking in a potential 580 pts in case of a devaluation. Traders may sell Dec.76 at 7500 or better for quick 100-200 pts turns.

British Pound

Sept. 76 : 175.70 Dec. 76 : 173.10 page (5)



	Feb.76	Mar.76	Apr.76	May 76	1975	1976
Balance of Trade (mln Stj.)	-246	-16 r	-263 r	-342	-990	-1,040
* Retail Price Index %	22.88	21.16	16.65	15.39		
* Wage Index %	27	27.7	23.8	19.6		
Reserves (mln US\$)	7,024	5,905	4,848	5,423		

Exchange rate - Trade Weighted %	-49.18	-50.78	-54.21	-51.33	-50.92	-51.09
Euro Deposit rate						
3-Month	11 5/8	12 3/8	12 3/4	12 1/8	13 1/8	13 1/2
6-Month	12 1/8	12 3/4	12 5/8	12 1/4	12 7/8	13
Open Interest (June 29) :	682		Average Volume (June) : 136			
Round Turn Commission :	60.00		Margin Required : 3000			
Contract Size :	25,000 BP					

 * COMMENTS : The Bank of England has been putting a severe squeeze
 * on bear positions by driving up overnight Sterling to 50 % plus,
 * annual rates. The adjacent table indicates the progressive
 * climb in 3 & 6 month rates. They may be presaging an increase
 * in the bank rate as early as this Friday. In the final analysis,
 * a policy of realistic interest rates is the only effective means
 * to combat inflation & currency depreciation. In our opinion and given the present level
 * of inflation (to a large extent, recent readings show merely a suppression of an under-
 * lying 18-22 % rate) 3 months Euro Sterling must trade at close to 20% before a new run
 * on Sterling can be staved off. Despite the recent collapse of Sterling, the UK's balance
 * of trade continues to sink deeper into the red. Once again it has been proven that
 * devaluations are a futile exercise.

Sell Mar.77 BP at 172.00 with protective stop at 171.00.

U.S. Dollar

	Feb. 76	Mar. 76	Apr.76	May 76	** 1975	** 1976
Balance of Trade (mln \$)	-140.80	-650.90	-202.10	+395.6	+3827.6	-670.80
* C. P. I. %	6.3	6.15	6.05	6.21		
* Money Stock (Compound- ed annual rates of change)	5.2	4.9	5.9	5.4		
* Bank loan & Invts (Compounded annual rate of change)	4.8	5.1	5.2	5.2		

Exchange Rate- Trade Weighted %	-12.13	-11.95	-11.73	-11.95	-12.16	-12.52
Euro Deposit rate						
3-Month	6 3/8	6 5/8	6 3/8	6 1/2	6 1/2	6
6-Month	7 3/16	7 5/16	7 1/16	7	6 15/16	6 1/2

* over year ago same month
 ** cumulative figures for the period Jan.-May
 *** appreciation or depreciation (-) from 18-12-71.

**	December '76 IMM Gold	125.90
***	January '77 Platinum	180.60
****	December '76 Palladium	57.40

Aided by soaring Soybean prices, a firm metal market and an artificial squeeze on nearby Chicago June, Silver prices meandered higher and hit 5.10 basis December '76, a 9-months high.

The Bureau of Mines reported that industrial consumption in the first quarter rose to 44.3 million ounces from 36.2 million used in the first quarter of last year and 41.5 million in the final quarter of 1975. Final consumption figures for 1975 put industrial use at 157.7 million ounces, 11% less than in 1974.

Silver prices have now completed a 3-wave advance amounting to just over \$1/oz from the lows registered last January. The technical underpinings of the market are quite fragile as an enormous amount of shortcovering has taken place in the 4.70-5.10 area basis December '76.

Establish short positions at these levels with stops at 525, again basis December '76 and on close only.

Since most of the buying at the IMF auction was done on behalf of foreign Central Banks, it must be assumed that prices are still 'too high' for private speculators. The deceased gold standard of the early 20th century was based on an 'overvalued' gold price, as only then, would bullion find its way into official coffers. It then becomes obvious that instead of being demonetized, gold may be on its way to becoming the cornerstone of a future international payments system.

Out of the total 780,000 ounces auctioned off at \$126/oz, the BIS was awarded 162,400 ounces (20%), Societe Banque Suisse of Zurich took 178,000 ounces (23%) and France 33,000 ounces (4%). Other successful bidders included Union Banque Suisse, Dresdner Bank of New York, and Bank Wozchod Commercial Bank of Zurich.

The 128,000 support level on the December gold was penetrated early this week and activated a new short position. In view of our long term outlook, we are, at the present time, nervous bears. We expect prices, however, to reach an ultimate bottom in the \$90-\$115 area basis Spot. Place protective stops at 132.00 basis IMM December '76.

Platinum prices reached the 180-182 area basis January '77 and should have been sold (as per last month's comments). We have taken a decent \$30/oz profit on this one and hope to reenter market at lower levels.

Palladium has been an outstanding winner. First recommended at \$42/oz, it is now within striking distance of our first target, i.e. \$60/oz. Accept partial profits at these levels.

<u>Sugar</u>	*	July '76 (expired)	13.25
	*	October '76	14.12
	*	March '77	14.44

The market continues to trade in the year-long range of 12.50-16.00¢/lb with the exception that, at this time, long positions are becoming rather costly. A steep contango has developed in the two nearby positions and less so as we move into late 1977. Nearby May '76 and July '76 expired at 50-60 point discounts to the next traded month. This phenomena is indicative of ample supplies on hand, the first such occurrence since late 1971. Short-sellers have benefited handsomely over the past 6 months as they have 'earned' the contango.

We remain extremely bearish about future prospects. Drought conditions in France (admittedly catastrophic) and parts of Holland, Belgium, and West Germany may, at worst, cut Sugarbeet production by 1.5 million tons. Offsetting this loss, Sugarcane production for 1976/77 in Brazil, Argentina, Australia, South Africa and Mauritius will, in all certainty, exceed 1975/76 results by well over 2.5 million tons.

On the demand side, prospects are even less encouraging. Growth of maize sugar and, particularly, high fructose syrups in the U.S. and Canada have cut down sugar consumption. This trend is expected to continue as substantially more productive capacity of corn-derived sugar comes into stream in 1977. Furthermore, the unrelenting climbs of coffee and cocoa prices will certainly be a negative influence on sugar consumption.

Based on preliminary estimates, we still believe that final stocks for the 1976/77 crop year will increase by anywhere between 1.5-4.5 million tons and probably close to 3.0 million tons. At 22.5 million tons, stocks will represent comfortable 28% of yearly consumption and should equate with prices ranging between 6-8¢/lb.

Short July '76 positions (expired today) should have been rolled over into September '76 as the September '76/October '76 switch is only 30-35 points and is expected to widen by end of August. Leave protective stops at 16.50 basis September '76.

Wood Complex

***	September '76 Plywood	153.90
***	September '76 Lumber	164.20

In view of the recent pace of housing starts we have downgraded somewhat our near term outlook for the Wood Complex. Long term positions should, however, not be disturbed.

The 1.42 million rate of starts for May is barely ahead of the average September/November period of last year. Permits issued authorizing new construction, at 1.16 million, were ahead of last July by just 100,000 units and suggest a near term start rate of 1.4-1.5 million units.

Although slow, the recovery is soundly based and in line with recent trends in house sales. The gradual tightening of apartment vacancies and the exceptionally large availability of mortgages funds should contribute to a substantially higher rate of construction late this year and early 1977.

Technically, the market appears locked in a broad trading range that may yet see a final \$5-\$15/1000 board feet shakeout.

Remain long but place sell stops at 149.50 basis September '76 Plywood and 158.00 basis September '76 lumber.

Albert D. Friedberg
Vice-President
Commodity Futures

*** **

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