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## COMMODITY & CURRENCY COMMENTS

The All-Saints Day Massacre

November 1st, 1978

Displaying an unusually keen sense of timing, President Carter stunned the world's financial markets this morning by announcing the most comprehensive package yet put together by the U.S. Govt in defence of the dollar. At 9:20 am, just prior to the opening of the U.S. Gold Futures markets, on the very morning of an IMF auction and catching several important European foreign exchange centres closed, President Carter ordered an end to the party through an increase in the Federal Reserve's Discount Rate to 9 1/2% from 8 1/2% and the enlargement of a swap arrangement amounting to six billion dollars with Germany, five billion dollars with Japan and four billion dollars with Switzerland which together with a drawing on the U.S. reserve position in the IMF, sales of SDR's and issuance of foreign currency denominated securities by the Treasury would bring to 30 billion dollars the total resources available to defend the dollar. Furthermore, the U.S. Treasury would step up, starting this December, its monthly gold sales to at least 1.5 million ounces from the present 750,000 ounces. Finally, the Federal Reserve established a supplementary reserve requirement equal to two percent of time deposits of \$100,000 or more.

The effect was electrifying: in brief seconds, the DM fell to 0.5376 from its overnight rate of 0.5684, the SFr fell to 0.6284 from 0.6680, the Yen to 0.005319 from 0.005565, gold to \$224/oz from \$239/oz, and so on for the leading European currencies, silver, platinum, copper, and other internationally-traded commodities. The All-Saints Day Massacre...

Coming on the heels of a poorly devised and ineffectual incomes policy, Carter demonstrated, for once, that he had understood the message of the marketplace. Will it work? Yes, but only for a short while. In the first place, Fed funds had already been trading at 9 - 9 1/4% for days prior to the hike in the Discount Rate with no noticeable effect on the foreign exchange markets. Obviously, the interest rate differential required vis a vis the hard currencies necessitated a rate well in excess of 9 1/2%. We should concede, however, that this is the first time that the Discount Rate leapfrogged market rates, if only by 1/4 - 1/2%. Besides its psychological value, the 'leapfrogging' Discount Rate action demonstrates that the Fed finally understood the necessity of having to take the initiative in its interest rate policy. Coupled with the increased reserve requirement on CD's, there's a good chance that the Fed will accomplish its much elusive goal of restraining the spectacular growth of Federal Reserve Credit and Commercial Bank Reserves. On balance, monetary aggregates, particularly Deposits Subject to Reserve Requirements (see accompanying figures) should show in coming months a pronounced slowdown in their rate of growth.

The sudden hike in interest rates and the concomitant (expected) slowdown in monetary aggregates should 'flatten' real economic activity without, however, tilting the U.S. into a recession in a manner reminiscent of the IV Qtr 1966 - I Qtr 1967 period which was preceded by the historic near money-crunch of October 1966 and the historic 6% new issue of Standard Oil of Indiana. The next few quarters of no growth/no recession should prove very positive for the U.S. bond and stock markets.

The sale of SDR's and the issuance of long term bonds to foreign Central Banks coupled with the expected reflow of private capital into the U.S. stock and bond markets should stabilize the U.S. dollar for at least the next few months. As already pointed out last month, inflationary pressures in W. Germany & Switzerland should begin to appear in the not-too-distant future making Gold the only safe haven for the preservation of capital.

The increased pace of U.S. Treasury gold sales can only accelerate the inevitable renaissance of gold as money par excellence. Firstly, because the public's acceptance of bullion holdings can only be satisfied with increased private supplies, thus facilitating an eventual return to gold as a circulating medium. In other words, the gold component of private money supply at prevailing market prices must first rise considerably before it can be in a position to finance day to day operations ( the same logic has led economists to say that a scarce currency, such as the Swiss Franc, cannot become a reserve currency ). Secondly, some of the gold will continue to find its way into foreign Central Banks, particularly those favoring gold as a numeraire in a world of more stable exchange rates ( i.e. the proposed European-Super-Snake ? other less developed countries ). Finally, it accelerates the day in which the U.S. will run out of its gold holdings. At the present rate of disposal, it will only take 15 years for the U.S. to disgorge itself of its massive gold hoard. We strongly suspect that the American Congress will put an end to this reckless operation well before Fort Knox is emptied.

RESERVES AGGREGATES \*

	TOTAL RESERVES **			NON-BORROWED RESERVES **		
	13 WKS	26 WKS	52 WKS	13 WKS	26 WKS	52 WKS
JUN.7/78	5.5	7.4	7.4	0.2	6.8	5.5
14	8.7	8.2	8.0	3.1	7.7	6.2
21	11.4	9.0	8.3	4.0	7.3	6.2
28	11.4	8.9	9.3	3.1	6.2	6.0
JUL.6/78	16.11	10.7	9.1	6.1	7.2	6.4
12	12.8	9.3	8.2	2.3	5.5	5.4
19	14.7	9.8	8.7	3.1	5.2	5.8
26	15.4	9.4	8.9	5.7	5.1	5.6
AUG.2/78						
9	11.8	7.5	8.0	9.5	3.0	5.6
16	8.3	5.8	6.9	9.4	1.9	5.3
23	7.1	5.2	6.7	7.4	0.9	6.0
30	7.3	5.5	7.0	7.4	1.6	7.2
SEP.6	9.1	7.1	7.4	6.1	2.7	7.4
13	6.9	7.6	7.4	5.0	3.8	7.2
20	5.0	8.0	7.2	6.3	4.9	7.0
27	5.0	8.1	7.5	7.4	4.3	6.4
OCT.5	2.0	8.2	7.4	3.8	4.1	6.4
11	6.0	9.1	8.0	6.2	3.6	7.0
18	4.1	9.1	7.9	4.5	3.4	7.5
25	2.3	8.6	7.5	2.6	3.8	7.9

\* ALL PERCENTAGE CHANGES ARE AT SEASONALLY ADJUSTED ANNUAL RATES, NOT COMPOUNDED.  
 \*\* AVERAGE OF 4 WEEKS ENDED FROM 4 WEEKS AVERAGE...

MEMBER BANK DEPOSITS - SUBJECT TO RESERVE REQUIREMENTS

DATE	3 MO. *	6 MO. *	12 MO.**
JAN. 78	12.90	10.69	8.11
FEB. 78	9.84	10.16	8.28
MAR. 78	9.45	10.80	8.50
APR. 78	7.42	10.13	8.74
MAY 78	10.27	10.06	9.8
JUN. 78	9.6	9.53	9.61
JUL. 78	10.05	8.73	9.68
AUG. 78	6.22R	8.23R	9.28R
SEP. 78	7.38	8.49	9.74

\* ALL PERCENTAGE CHANGES ARE AT SEASONALLY ADJUSTED

British Pound

Spot : 198.00  
 Dec. 78: 201.45A  
 Mar. 79: 201.00A  
 Jun. 79: 200.20A  
 Sep. 79: 199.70A

BP - Nearest Contracts



	JUL. 78	AUG. 78	SEP. 78	SEP. 77
<b>BALANCE OF TRADE (MLN STG)</b>				
JAN-SEP. '77: -1,670				
JAN-SEP. '78: - 978	-132	+ 57 R	-194	+ 80
<b>BALANCE OF PAYMENTS (MLN STG)</b>				
JAN-SEP. '77: - 353				
JAN-SEP. '78: -97	-57	133	-119	+201
RESERVES (BLN U.S.\$)	16.73	16.40	16.51	17.17
RETAIL PRICE INDEX **	7.78	7.95	7.8	15.63
RETAIL SALES INDEX **	4.1	4.29	4.25	-2.11
W.P.I. **	6.62	7.13	7.76	19.0
UNEMPLOYMENT RATE ( 5.7 FOR OCT.78 )	5.8	6.8	6.4	6.1

EURO DEPOSIT %	1978				1977
	OCT. 6	OCT.13	OCT. 20	OCT.27	OCT.28
1 MO.	12 1/4	12.	11 1/4	10 1/4	5.0
3 MO.	12 1/2	12 7/8	12 3/4	11 1/2	5 5/8
6 MO.	13.	13.	13 1/4	12 1/4	6 1/4
12 MO.	13.	13.	13 5/8	13.	7 1/8

OPEN INTEREST (OCT.27/78): 5,144 VOLUME (OCT.31/78): 2,726  
 CONTRACT SIZE : BP 25,000.00 (APPROX. U.S. \$50,000.00 )  
 MINIMUM FLUCTUATION : .00050 (\$12.50)  
 DAILY LIMIT (NORMAL) : .05000 (\$1,250.00)  
 MARGIN REQUIRED : US \$2,500.00 COMMISSIONS : \$60.00  
 TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)  
 DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

\*\* YEAR-OVER-YEAR % CHANGE

\*\*\*\*\* Remain sidelined. \*\*\*\*\*

Aug. Sep. Oct. Nov.  
 1978

French Franc

Spot : 23.41 Dec. 78: 24.45 A Mar. 79: 24.50 A  
 June 79: 24.40 A

	JUL. 78	AUG. 78	SEP. 78	SEP. 77
<b>BALANCE OF TRADE (MLN FFR)</b>				
JAN-SEP. '77: -10,510				
JAN-SEP '78: +1,855	905	-1,060	+1,300	+421
INT'L RESERVES (MLN US)	12,475	N/A	N/A	9,975
NET CHANGE OF FOREIGN EXCHANGE ASSETS **	17.89	18.77	19.69	19.52
RETAIL PRICE INDEX**	9.34	9.40	9.16	9.69

EURO DEPOSIT %	1978				1977
	OCT. 6	OCT. 13	OCT. 20	OCT.27	OCT.28
1 MO.	10	8 3/4	8 1/2	7 3/8	9 1/4
3 MO.	10	9 3/8	10.	9.	10.
6 MO.	10 1/4	10 1/8	10 3/8	10 1/8	10 5/8
12 MO.	10 3/8	10 1/2	10 7/8	11.	11.

WEEKLY RESERVES  
 GOLD & CONV. CURRENCY  
 (MLN FFR) 116,258 116,263 116,413 N/A 94,722

OPEN INTEREST (OCT.27): 54 VOLUME (OCT.31/78) : 1  
 CONTRACT SIZE : FR 250,000.00 (APPROX. U.S. \$61,000.00 )  
 MINIMUM FLUCTUATION : .00005 (\$12.50)  
 DAILY LIMIT (NORMAL) : .0050 (\$1,250.00)  
 MARGIN REQUIRED : US \$5,000.00 COMMISSIONS : \$60.00  
 TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)  
 DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

\*\* YEAR-OVER-YEAR % CHANGE

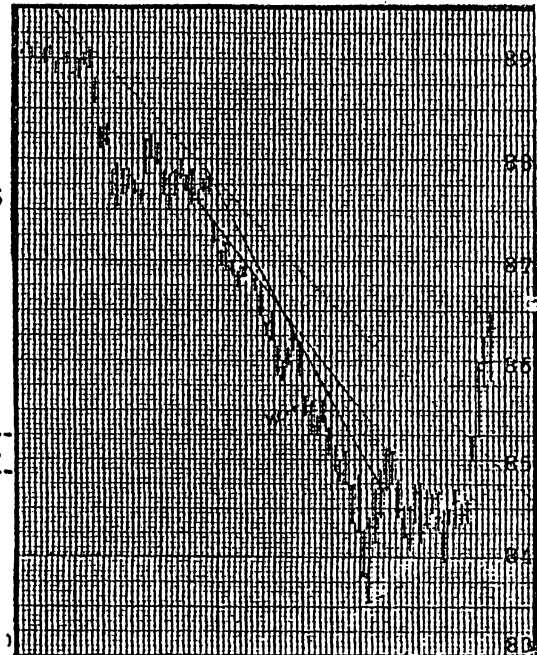
\*\*\*\*\*  
 Raise stops to 23.00  
 basis December '78,  
 close only.  
 \*\*\*\*\*

# Canadian Dollar

Spot : 85.83    Dec. 78 : 86.00  
 Mar. 79: 86.52    Jun. 79 : 87.15    Sep. 79: 87.40

	JUL. 78	AUG. 78	SEP. 78	SEP. 77
<b>BALANCE OF TRADE (MLN. \$)</b>				
AN-SEP. '77: +1,724				
AN-SEP. '78: +2,492	-123	+175R	+631	+50
<b>GENERAL BANK LOANS**</b>	11.41	11.60	11.81	15.90
<b>ONEY SUPPLY **</b>				
M1	10.29	11.36	10.57	8.72
M1B	9.08	10.95	8.67	7.67
M2	10.06	11.13	10.59	13.12
M3	12.92	14.70	13.72	15.44
<b>CURRENCY PLUS ALL DEPOSIT LIABILITIES**</b>	12.91	13.82	.....	14.85
<b>NT'L RESERVES (BLN U.S.)</b>	4.58	4.19	3.66	4.8
<b>P.I. (ALL ITEMS)**</b>	9.83	9.42	8.63	8.4
<b>DOD PRICE INDEX**</b>	20.12	17.84	14.81	11.16
<b>EMPLOYMENT RATE S.A.</b>	8.4	8.5	8.5	8.3
<b>N.S.A.</b>	8.0	7.7	7.7	7.5

CD\$ Nearest Contracts



TWO DEPOSIT %	1978				1977
	OCT. 6	OCT. 13	OCT. 20	OCT. 27	OCT. 28
1 MO.	9 5/16	9 1/2	9 11/16	10 1/16	7 1/4
3 MO.	9 9/16	9 3/4	10 1/16	10 1/2	7 1/2
6 MO.	9 3/4	9 13/16	10 3/16	10 1/2	7 3/4
12 MO.	9 3/4	9 13/16	10 3/16	10 1/2	7 7/8

OPEN INTEREST (OCT. 27): 6.427    VOLUME (OCT. 31/78): 12.863  
 CONTRACT SIZE : CD 100,000.00 (APPROX. U.S. \$86,000.00)  
 MINIMUM FLUCTUATION : .00010 (\$10.00)  
 TICK LIMIT (NORMAL) : .00750 (\$750.00)  
 MARGIN REQUIRED : US \$2,500.00    COMMISSIONS : \$60.00  
 TRADING HOURS : 9:45 AM - 1:10 PM (CHICAGO TIME)  
 DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

YEAR-OVER-YEAR % CHANGE

Ottawa's hopes were lifted when September '78 trade figures appeared showing a healthy plus of \$631 million as compared to only \$50 million in September '77. Traders did not stop to consider that the full III Qtr '78 as still well below the III Qtr 1977 (\$758 Mln) and III Qtr 1976 (\$760 mln) in spite of a sharply lower value for the CD\$. In fact, it is unlikely that the full year's trade surplus should even exceed \$3.5 billion, a far cry from Finance Minister Chretien's forecast of at least \$4 billion.

It will require vigorous action on the part of the Central Bank to bring monetary aggregates, particularly Currency plus all Deposit Liabilities (see figures), back in line to a more normal rate of growth. Furthermore, further tightening would be necessary to re-align the U.S.-Canada interest rate differential, particularly in view of the Fed's hike in the Discount rate. Since the CSB campaign is off to a poor start, this complication takes place at a most inopportune time.

We believe the anticipated rally has now run its course, and would advise re-instating short positions at market, particularly in the deferred months. \*\*\*\*\*

Postscript -

The New York Thruway has lost \$18,000 in its famous Canadian dollar exchange operation (see our story last month). It has now moved to a more realistic 15% discount ...

Nov. 1st, 1978

In response to last month's suggestion that Canada peg its dollar, raise its interest rates and cut its fiscal deficit, Finance Minister J. Chretien answers,



Minister of Finance    Ministre des Finances

OCT 16 1978

Friedberg and Co. Ltd.,  
347 Bay Street,  
Toronto, Ontario.  
M5H 2I7

Dear Sirs:

I refer to your telexed message of September 25, 1978 in which you suggested that the Government adopt a fixed value for the exchange rate.

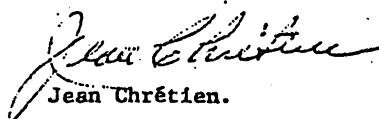
The virtue of the flexible exchange rate is that it efficiently promotes equilibrium in the balance of payments by responding directly to variations in the demand for and supply of foreign exchange. This role is all the more important in a dynamic world with steadily changing conditions as well as divergences in the economic performance of different countries. Variations in the exchange rate have been particularly useful in recent years in the face of potentially disruptive shocks originating abroad.

In view of this role of the exchange rate, your suggestion that it be fixed at an arbitrary level becomes impractical to apply and, in fact, loses much of its validity. Indeed, the experience of several countries in the postwar period clearly shows that attempts to maintain a fixed rate inevitably prove futile.

Economic stability will be restored in Canada by policies which attack our fundamental problems. To that end, the Government has adopted concrete measures geared to promoting adequate levels of economic activity while reducing the rate of inflation. Pegging the dollar at an arbitrary level would not promote stability and could conceivably be detrimental to the attainment of that goal.

Thank you for the time you have taken to express your views.

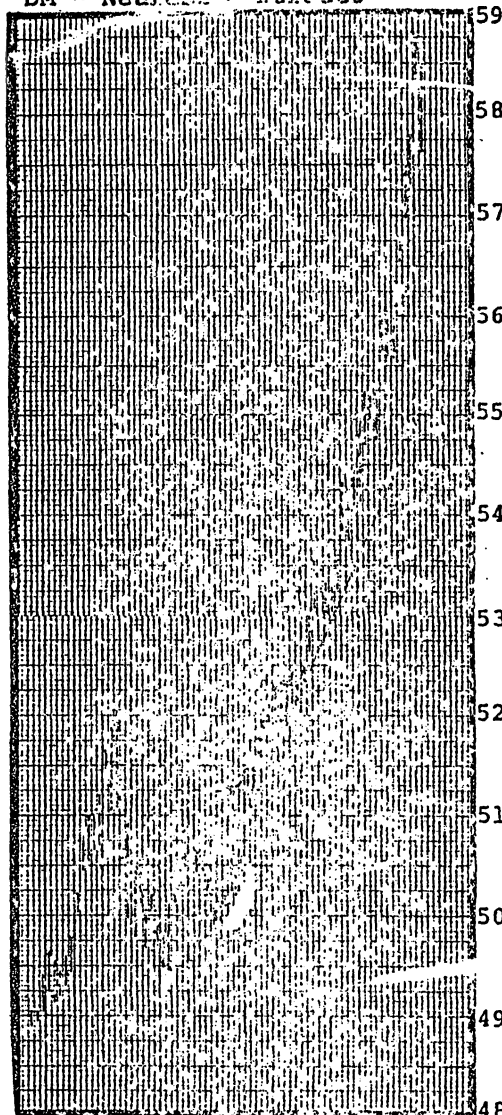
Yours sincerely,

  
Jean Chrétien.

# Deutsche Mark

Spot : 53.76  
 Dec. 78: 56.64 A  
 Mar. 79: 57.90 A  
 June 79: 58.95 A  
 Sep. 79: 60.12 A

DM - Nearest Contracts



	JUL. 78	AUG. 78	SEP. 78	SEP. 77
<b>BALANCE OF TRADE (MLN MARKS)</b>				
JAN-SEP. '77:	+24,547			
JAN-AUG. '78:	+20,500	1,700	3,120	4,730
<b>BALANCE OF PAYMENTS (BLN MARKS)</b>				
<b>CURRENT ACCT.</b>				
JAN-SEP. '77:	0.50			
JAN-SEP. '78:	+6.42	- 2	+0.019	1.1
MONEY SUPPLY ** M3	9.82	20.6	...	9.37
V.P.I.**	UNCH.	-0.1	-0.3	-1.11
COST OF LIVING INDEX**	2.59	2.38	2.25	3.96
UNEMPLOYMENT RATE	4.1	4.0	3.8	4.0
<b>EURO DEPOSIT %</b>				
1978				
	OCT. 6	OCT. 13	OCT. 20	OCT. 27
1 MO.	3 7/16	3 5/16	3 5/16	3 3/8
3 MO.	3 11/16	3 11/16	3 11/16	3 11/16
6 MO.	3 3/4	3 11/16	3 3/4	3 3/4
12 MO.	3 13/16	3 13/16	3 7/8	3 15/16
1977				
	OCT. 28			
1 MO.	3 15/16			
3 MO.	3 15/16			
6 MO.	4 1/16			
12 MO.	4 3/16			
<b>WEEKLY RESERVES</b>				
<b>NET MONETARY</b>				
BLN MARKS)	97.4 (29/9)	99.3(6/10)	101.7 (13/10)	84.90
<b>OPEN INTEREST(OCT 17/78): 11,330 VOLUME (OCT.31/78) : 4,215</b>				
CONTRACT SIZE	: DM 125,000.00 (APPROX. U.S.\$71,000.00)			
MINIMUM FLUCTUATION	: .00010 (\$12.50)			
DAILY LIMIT (NORMAL)	: .01000 (\$1,250.00)			
MARGIN REQUIRED	: US \$4,000.00 COMMISSIONS : \$60.00			
TRADING HOURS	: 8:45 AM - 1:10 PM (CHICAGO TIME)			
DELIVERY MONTHS	: MARCH, JUNE, SEPTEMBER, DECEMBER			

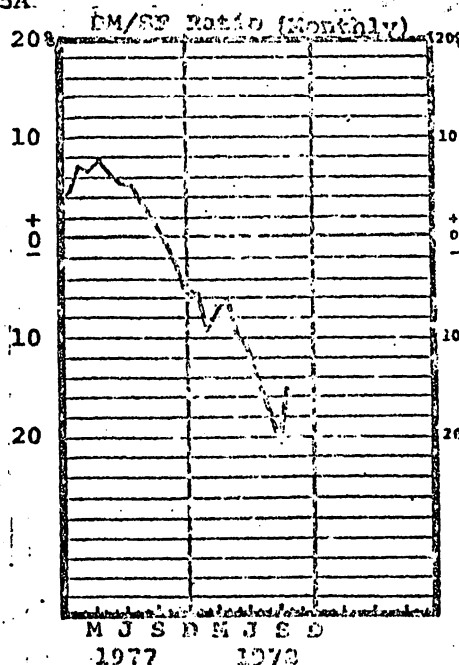
As forecast last month, the DM has proved a far better performer than the SFr. In the past 30 days, DM/SF ratio has moved up to 86.15 from 83.28.

Eliminate holdings; switch to gold.

# Swiss Franc

Spot: 62.40 Dec.78:67.22A Aug. Sept. Oct. Nov.  
 Mar.79: 69.13A June79:70.86A 1978  
 Sep.79: 72.60A Dec.79:74.15A

	JUL. 78	AUG. 78	SEP. 78	SEP. 77
<b>BALANCE OF TRADE (MLN SFR)</b>				
JAN-SEP. '77:	-1,575.			
JAN-SEP. '78:	- 821	+38	- 158	+125
MONEY SUPPLY	13.80	.....	.....	.....
V.P.I.**	-3.64	-3.53	-4.67	-0.6
UNEMPLOYMENT RATE	0.3	0.3	0.3	0.3
<b>EURO DEPOSIT %</b>				
1978				
	OCT. 6	OCT. 13	OCT. 20	OCT. 27
1 MO.	1/8	1/8	1/8	3/16
3 MO.	1/2	5/16	1/4	1/4
6 MO.	5/8	1/2	7/16	3/8
12 MO.	15/16	3/4	13/16	11/16
1977				
	OCT. 28			
1 MO.	1 1/4			
3 MO.	2 1/16			
6 MO.	2 1/216			
12 MO.	2 3/4			
<b>WEEKLY RESERVES</b>				
<b>IN SFR)</b>				
MLN SFR)	24,470	25,200	25,810(23/10)	13,310
<b>OPEN INTEREST(OCT.27) : 5,874 VOLUME (OCT.31/78) : 1,547</b>				
CONTRACT SIZE	: SF 125,000.00 (APPROX. U.S.\$85,000.00)			
MINIMUM FLUCTUATION	: .00010 (\$12.50)			
DAILY LIMIT (NORMAL)	: .01000 (\$1,250.00)			
MARGIN REQUIRED	: US \$4,000.00 COMMISSIONS : \$60.00			
TRADING HOURS	: 8:45 AM - 1:10 PM (CHICAGO TIME)			
DELIVERY MONTHS	: MARCH, JUNE, SEPTEMBER, DECEMBER			



YEAR-OVER-YEAR % CHANGE

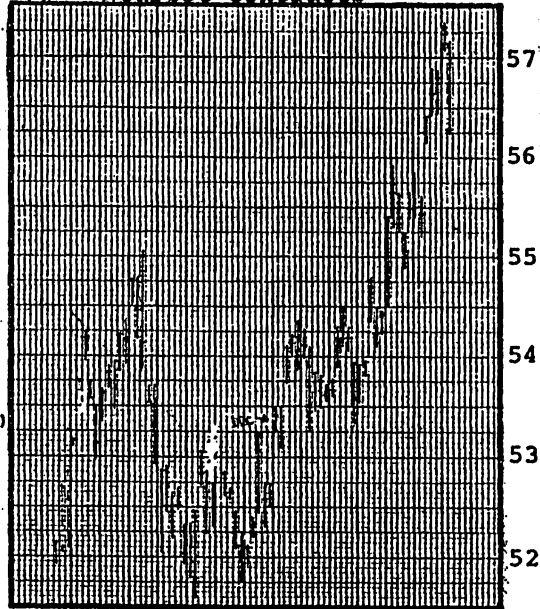
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Japanese Yen

Spot : 53.19    Dec. 78 : 55.29    Mar. 79: 56.48  
 June 79 : 57.62    Sep. 79 : 58.60    Dec. 79: 60.55

	JUL. 78	AUG. 78	SEP. 78	SEP. 77
<b>BALANCE OF TRADE (MLN U.S.\$)</b>				
JAN-SEP. '77: +10,840				
JAN-AUG. '78: +19,700	2,700	1,990	2,630	1,690
<b>BALANCE OF PAYMENTS (MLN U.S.\$)</b>				
JAN-SEP. '77: +3,738				
JAN-SEP. '78: +7,291	853	346	450	511
<b>MONEY SUPPLY ** MI</b>	+11.3	+11.7	N/A	6.3
<b>RESERVES (MLN U.S.\$)</b>	29,370	29,200	N/A	17,670
<b>C.P.I. **</b>	4.15	4.23	3.66	7.61
<b>M.P.I. **</b>	-2.65	-3.65	-3.81	0.50
<b>UNEMPLOYMENT RATE</b>	2.34	2.34	2.41	2.11
<b>OPEN INTEREST (OCT. 27): 5,858</b>	<b>VOLUME (OCT. 31/78) 13,286</b>			
<b>CONTRACT SIZE</b>	YEN 12,500,000.00 (APPROX. US\$70,000.00)			
<b>MINIMUM FLUCTUATION</b>	.0000010 (\$12.50)			
<b>DAILY LIMIT (NORMAL)</b>	.000100 (\$1250.00)			
<b>MARGIN REQUIRED</b>	US \$4,000.00		<b>COMMISSIONS</b> : \$60.00	
<b>TRADING HOURS</b>	8:45 AM - 1:10 PM (CHICAGO TIME)			
<b>DELIVERY MONTHS</b>	MARCH, JUNE, SEPTEMBER, DECEMBER			

JY - Nearest Contracts



\*\* Remain long, placing stops at 52.90 close only, basis Dec. '78. \*\*

Aug.    Sep.    Oct.    Nov.  
1978

Mexican Peso

Spot : 43.80    Dec. 78: 43.44    Mar. 79: 42.45  
 June 79: 41.60    Sep. 79: 40.60    Dec. 79: 39.86  
 Mar. 80: 39.45

	Dec. 78	Mar. 79	Jun. 79	Sep. 79	Dec. 79	Mar. 80
Spot	10.41	9.85	9.24	9.53	9.09	8.16
Dec. 78		9.66	9.04	9.43	8.98	8.01
Mar. 79			8.43	9.32	8.76	7.60
Jun. 79				10.22	8.92	7.33
Sep. 79					7.63	5.91
Dec. 79						4.22

\*\*\* Remain Short. \*\*\*

Open Interest (Oct. 27/78): 2,384    Volume (Oct. 31/78): 52  
 Contract Size : MP 1,000,000.00 (Approx. U.S. \$43,000.00)  
 Minimum Fluctuation : .00001 (\$10.00)  
 Daily Limit (Normal): .00150 (\$1,500.00)  
 Margin Required : US \$ 4,000.00  
 Commissions : US\$ 60.00  
 Trading Hours: 8:45 am - 1:10 pm  
 Delivery Months : March, June, September, December

INTEREST RATES FUTURES

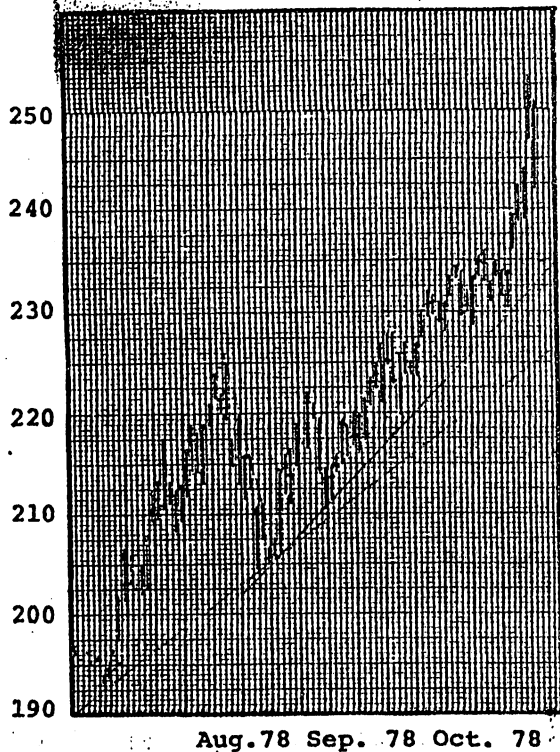
GNMA June 79 : 89 24/32    Neutral-Bullish  
 T-B June 79 : 90.62    Neutral-Bullish

As of Oct. 31st, 1978

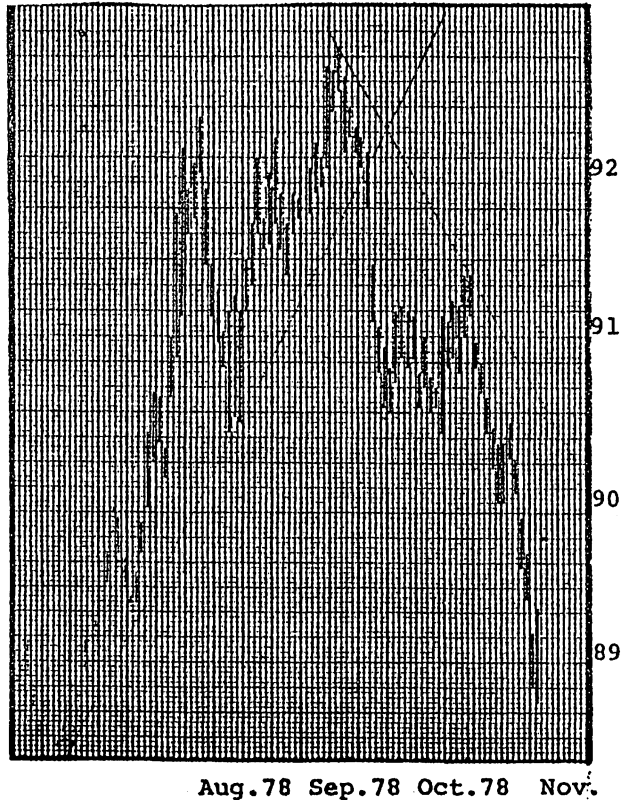
	TB Yield	GNMA Yield	BONDS Yield
Dec. 78	8.97	9.572	8.958
Mar. 79	9.29	9.577	8.962
Jun. 79	9.42	9.572	8.937
Sep. 79	9.47	9.562	8.922
Dec. 79	9.50	9.557	8.918
Mar. 80	9.53	9.592	8.918
Jun. 80	9.52	9.597	8.918
Sep. 80	9.52	9.622	8.918
Dec. 80	...	9.627	8.918
Mar. 81	...	9.642	8.933
Jun. 81	...	9.662	8.922

Cover all short positions at market. We'll give the markets at least 4 weeks of rallying time.

Gold - Comex Feb. 79



GNMA - Mar. 79



## Potpourri

December '78 Gold peaked just a whisker away from our long term target of \$250... should resume uptrend fairly soon and we now think June '79 will see \$300/oz... March '79 Copper is surely good for 80¢/lb ... don't believe that high interest rates will affect lumber prices, credit is still plentiful.

F.C.I.

	<u>Oct.78</u>	<u>Sep. 78</u>	<u>Oct. 77</u>
+ 1.27% from month ago			
+19.50% from year ago	239	236	200

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

Albert D. Friedberg