

FRIEDBERG'S

COMMODITY & CURRENCY COMMENTS

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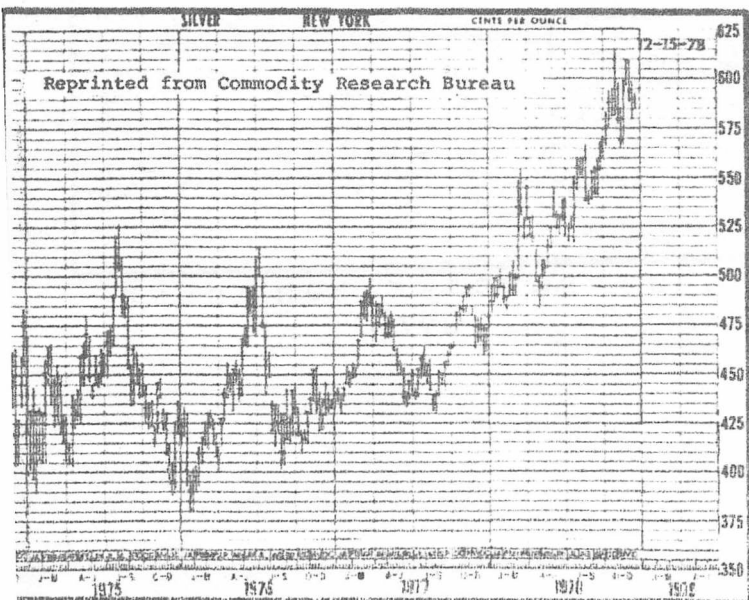
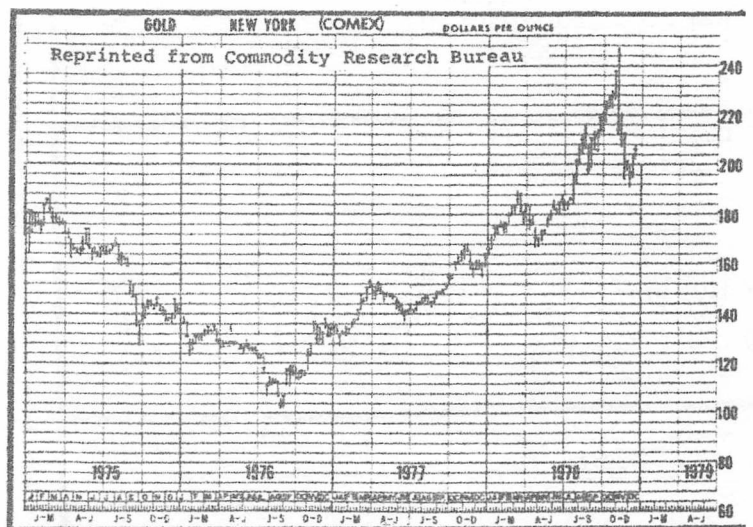
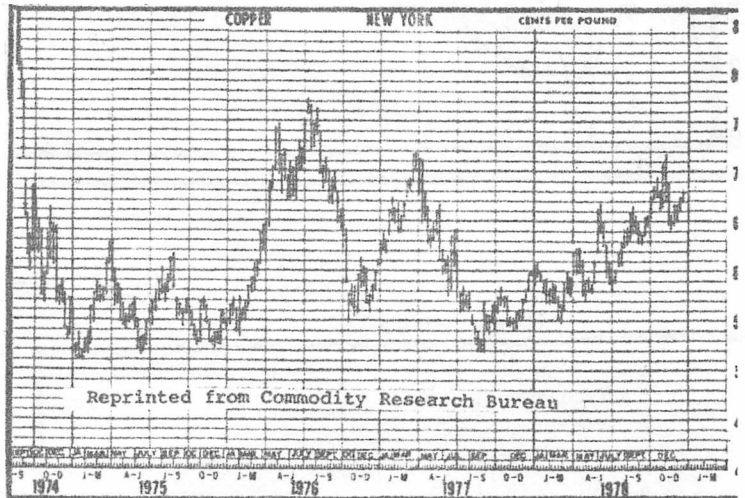
1979: The Year of the Metals

Jan. 1st, 1979

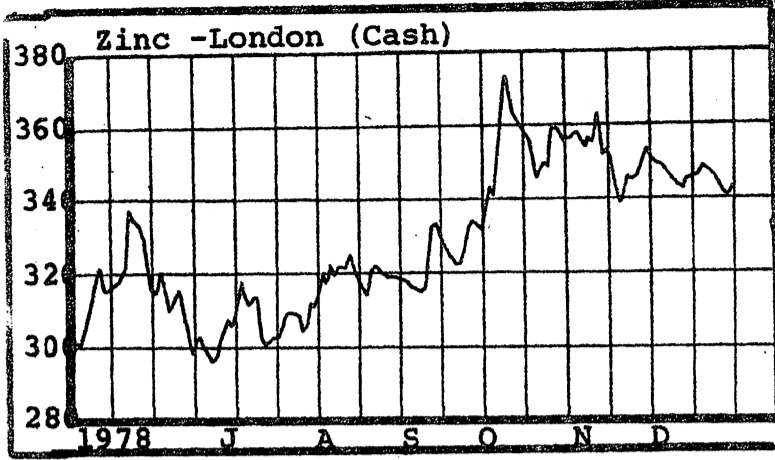
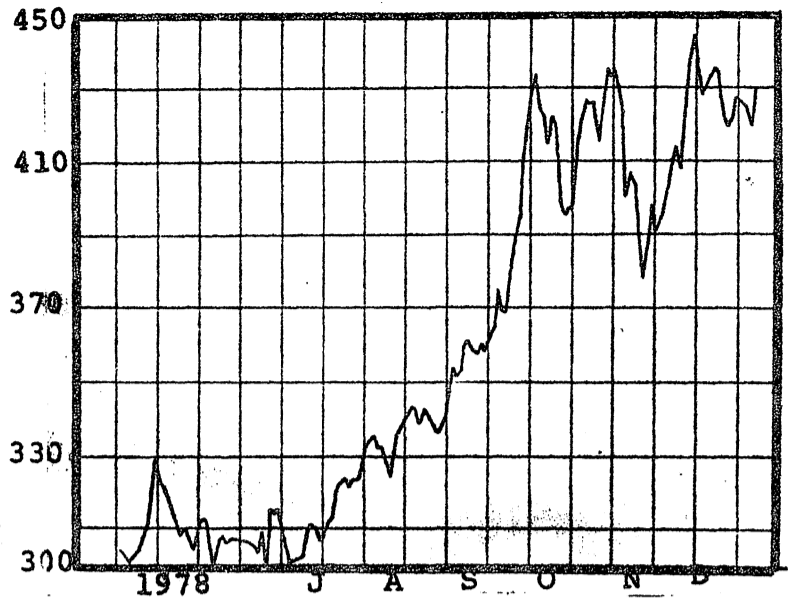
Nineteen-seventy-nine should witness an extraordinary rise in metal prices. That is the un-sophisticated conclusion arrived at by simply examining long term charts of those commodities comprising the metals sector. Despite a sizeable shakeout during November, both Gold & Platinum refused to violate major uptrends and have now resumed their advance which call for projected targets of \$300 -310/oz and \$470-490/oz respectively.

The vastly superior relative strength of Gold & Platinum does not, in any way, detract from the upside potential of the other members of the group. Starting in mid-1977, Silver prices initiated a sluggish uptrend which cause it to 'break out' of a four-year high-level triangle. A challenge to the 1974 high of \$6.40/oz was quickly repulsed during the November general melee but prices have now steadied and are, once again, threatening to move into new all-time highs. For 1979 we expect a minimum upside move of 50% from present levels with downside reactions being contained at \$5.90/oz and \$6.40/oz in the initial stages of the advance. Our discussion of base metals is restricted merely to Copper given the limited speculative following enjoyed by Lead & Zinc. It should be noted, however, that Lead prices are displaying exceptional strength particularly in view of the sizeable back-wardation that has developed in the cash to 3-months position at the LME. With the exception of a short-lived and abortive rally in mid-1976 and one in early 1977, Copper prices have spent the best part of the past four years below 65¢/lb. This gross undervaluation (particularly when viewed against the backdrop of a collapsing dollar) has enabled consuming units around the world to whittle down a burdensome two million-ton-plus surplus by at least 25%. Robust economic recovery in Western Europe & Japan & boom conditions in the U.S. will transform Copper's near-equilibrium of supply and demand to chronic excess-demand with prices averaging well over 90¢/lb for all of 1979.

Basic to technical analysis is its total indifference to fundamental factors. The 'charts' care little about such mundane matters as OPEC, the U.S. dollar & recessions. In an almost defiant tone, they are signalling that a worldwide recession is not imminent, that accelerating inflation will drown-out OPEC's 14.5% oil mark-up, that the U.S. dollar could go either way and it would make no difference because the damage has already been done ...

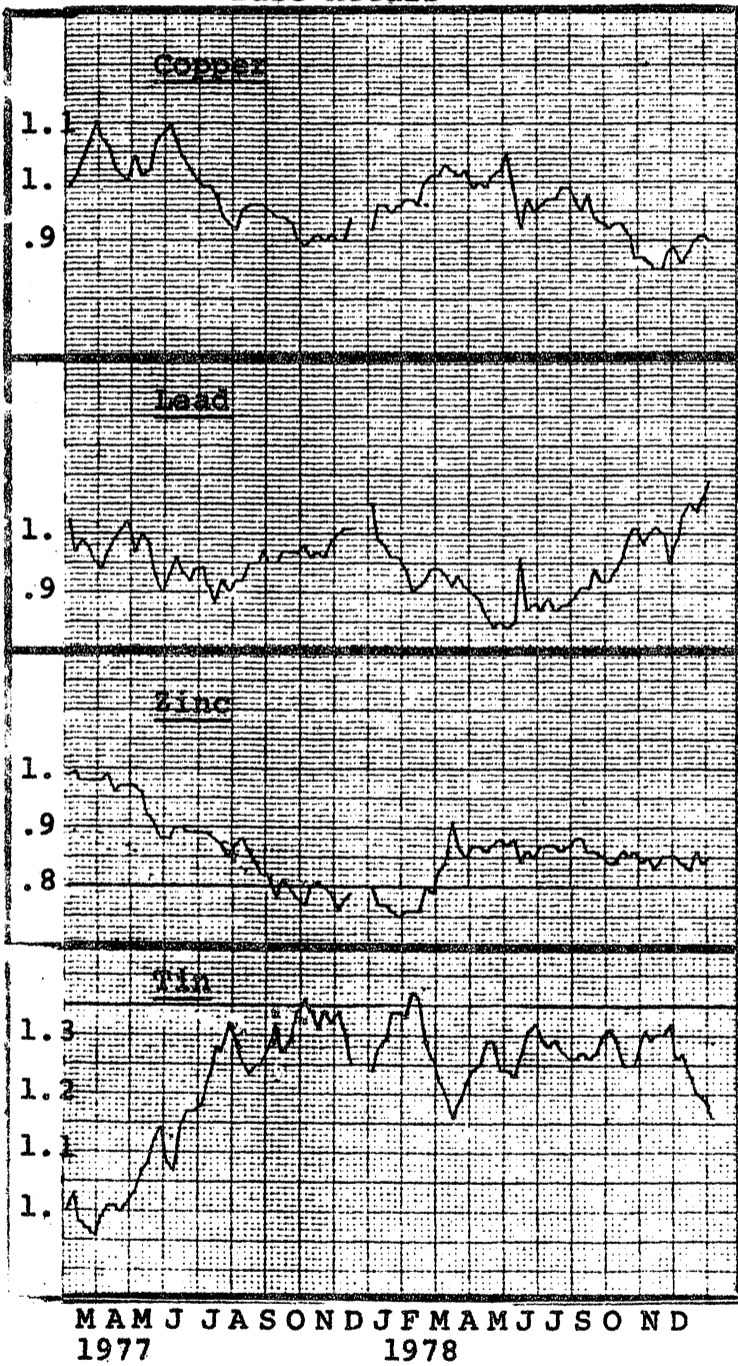


Lead - London (Cash)

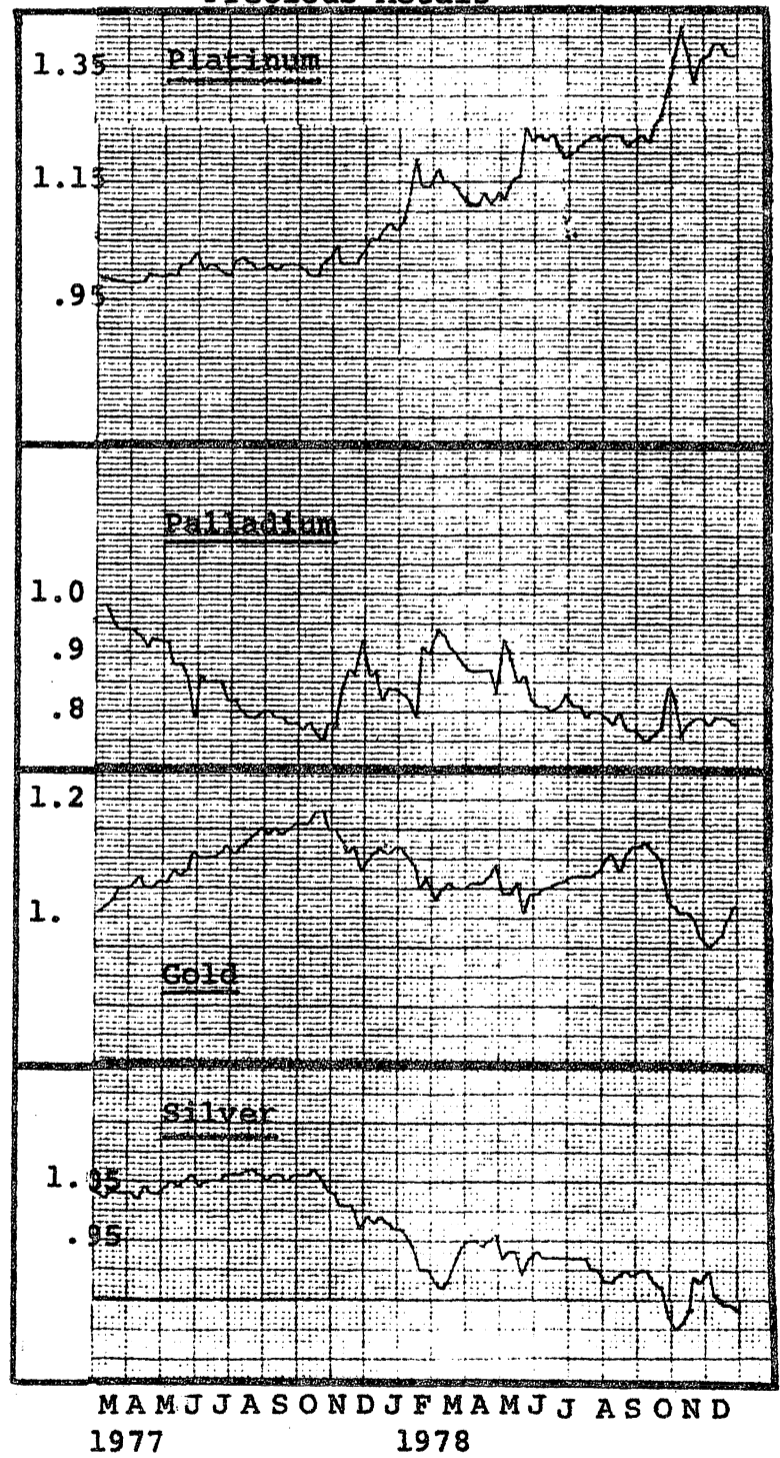


Relative Strength

Base Metals



Precious Metals



Monetary Policy- The U.S. Dollar & Interest Rates

Seeing that Fed Funds have been allowed to trade as high as 10 1/2%, can we conclude that U.S. monetary policy has become more restrictive? The answer is, probably not.

Last month we commented that the Fed was 'forced' to finance a \$3 billion increase in member bank reserves if only because
 a) the increase was already predetermined two weeks in advance &
 b) Commercial banks, as a whole, could not possibly meet this 'margin call' without resort to the Fed, given their extremely low level of excess reserves.
 We faulted the Fed, however, for not pushing member banks to the Discount window, for not allowing substantial reserve deficiencies and for continuing to give the impression that Federal Reserve Credit would be forthcoming with small increments in the Funds rate, thus exonerating the banking system from building a much more comfortable excess reserves position. That the commercial banks understand the Fed's game is quite clear: they adjust earning assets down to the thin wire knowing fully well that, at a very small cost of perhaps 1/4 - 1/2% (that being the regular increment in the Funds rate) they can fund their burgeoning loan demand. A look at Table I indicates that only once during 1978 did member banks adopt a cautious asset policy - the period January-March - influenced, probably, by the first substantial increase in the Discount Rate (6 1/2% from 6%) that took place in January. Clearly, the Fed's interest rate policy has fostered a feeling of deja vu - money will always be available, if only a bit more dear. A similar observation can be made by looking at Table II : slight tightening of member bank reserves offset by a more comfortable growth in their non-borrowed portion.

Currency and coin held by the non-bank public (an aggregate measure not tainted by the recent introduction of Automatic Transfer Service(ATS) between savings & checking accounts) and, similarly, Member Bank Deposits subject to Reserve Requirements (Table III) continue to grow at double-digit rates.

Thus far the Fed has failed to find that rate that will enable it to slow down monetary aggregates. It could accomplish this objective by either : a) forgetting about Fed Funds targets, allowing these to trade freely at prohibitive levels & thus warning member banks about the desirability of continuing to fund uncontrolled asset growth through 'liability management' and/or b) raise, at once, administrative rates 3 percentage points above what is perceived to be the expected rate of inflation with the result that positive real rates of return will curtail bank credit.

Table I
Member Banks Excess Reserves*
(Million of U.S.\$)

	1977	1978
Jan.	157	305
Feb.	195	133
Mar.	265	306
Apr.	11	64
May	272	252
Jun.	113	137
Jul.	348	140
Aug.	199	262
Sep.	191	264
Oct.	339	143
Nov.	135	262
Dec.	174	172P

* Monthly average of daily figures
Source: Federal Reserve (A.5)

Table II
RESERVES AGGREGATES *

	TOTAL RESERVES **			NON-BORROWED RESERVES *		
	13 WKS	26 WKS	52 WKS	13 WKS	26 WKS	52 WKS
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	3.8	7.0
18	4.1	9.1	7.9	4.5	3.4	7.5
NOV. 1	3.6	7.7	7.5	4.4	4.7	7.9
8	1.7	6.6	6.9	3.9	6.6	7.7
15	3.6	5.9	6.5	5.8	7.6	6.7
22	4.2	5.5	6.5	4.5	7.8	6.8
29	4.0	5.4	6.6	4.5	8.0	7.2
DEC. 6	3.5	5.8	6.7	4.5	7.1	7.1
13	4.1	5.0	6.7	4.3	6.2	7.1

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

Table III
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	6.22	8.23	9.28
SEP. 78	7.45R	8.52R	9.74
OCT. 78	5.3	7.65	9.99
NOV. 8	11.68R	9.58R	9.35R
NOV. 15	11.68R	9.56R	9.80
NOV. 22	11.68P	9.45P	9.48P
NOV. 29	10.34P	6.21P	8.33P

* ALL PERCENTAGE CHANGES ARE AT SEASONALLY ADJUSTED COMPOUNDED ANNUAL RATES.
** ALL PERCENTAGE CHANGES ARE AT NOT SEASONALLY ADJUSTED ANNUAL RATES.

As of Dec. 29, 1978

GNMA	Settle	Yield	US Treasury Bonds		
Dec			90-12	9.050	
Mar	87-27	9.758	90-18	8.928	
June	87-30	9.743	90-30	8.984	
Sept	88-05	9.708	91-02	8.969	
Dec.	88-10	9.682	91-06	8.955	
Mar. 80	88-05	9.708	91-06	8.955	
Jun	88-01	9.728	91-04	8.962	
Sept	87-30	9.743	91-04	8.962	
Dec	87-27	9.758	91-02	8.969	
Mar 81	87-21	9.789	91-03	8.966	
June	87-19	9.799	91-02	8.969	
Sept	87-16	9.814			

Treasury Bills		
Mar	90-38	9.62
June	90-22	9.78
Sept	90-19	9.81
Dec	90-29	9.71
Mar80	90-43	9.57
June	90-53	9.47
Sept	90-58	9.42
Dec	90-64	9.36

Although a true monetary tightening is inevitable, its timing is quite uncertain because the Fed's monetary policy is shackled by White House sentiments. From a strategic point of view, investors should remain short debt futures instruments, particularly GNMA's and U.S. Treasury Bonds until such time as a radical shift in policy is perceived.

Similarly, the fortunes of the U.S. dollar are inextricably bound to those policy decisions arrived at the Federal Reserve Bank in Washington.

A glance at Table IV indicates whatever progress has already been made in the trade balance. The results have been less than dramatic despite assertions by economists in and out of government to the effect that the U.S. has moved to the upper part of the "J" curve. This improvement, however, may easily be vitiated by the recent increase in oil prices. That being the case, the U.S.

must rely increasingly on capital inflows to offset a stubbornly negative current account.

To appreciate the magnitude of these private flows of capital one can refer to 1977's deficit of \$16.4 billion (just slightly larger than the deficit on current account) and the \$7.5 billion surplus in II Qtr 1978 (including the balance item Errors & Omission).

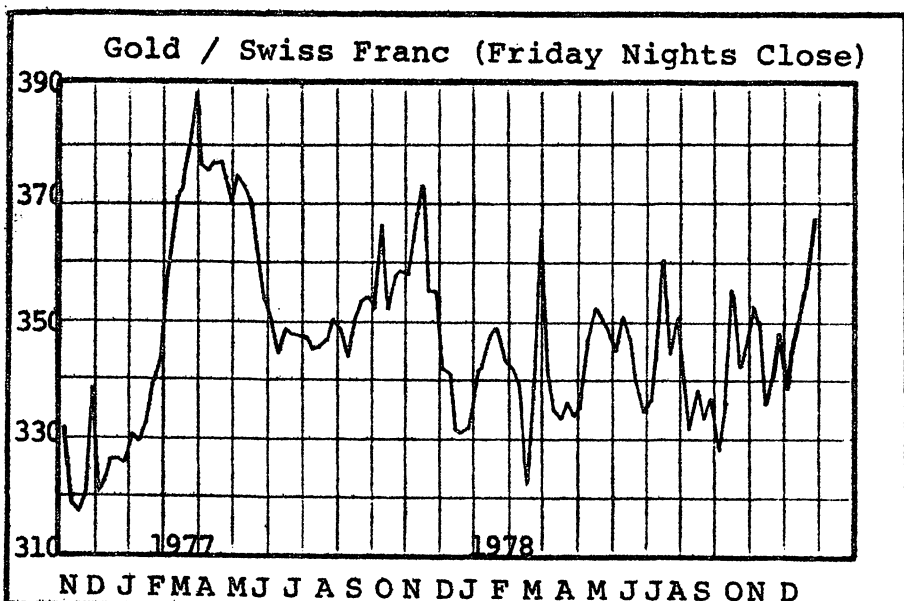
In conclusion, the current account improvement, if it materializes, will be almost too imperceptible for it to have any positive influence on the foreign exchange value of the U.S. dollar. By way of comparison, the U.K.'s current account deficit was halved in 1975 from 1974 & halved again in 1976 but Sterling continued its terrifying 33% plunge through late 1976. It was not until the Bank of England took decisive action by dramatically raising the Bank Rate in two steps from 11.5 to 15 percent by Oct 7/1976 that Sterling found bottom. We foresee a replay of this drama in the U.S. sometime during 1979.

Table IV

U.S. Imports & Exports 1977-1978; bln of U.S. \$

	Food, Live animals	Beverages, tobacco	Crude inedible materials, except fuels	Mineral fuels lubricants	Oils, fats (animal, vegetable)	Chemicals and related prod.	Mfg. goods classified by material	Machinery, transport equip	Misc. mfg. articles	Not class- ified elsewhere	Total
Imports:											
1977	12.5	1.7	7.9	44.3	0.5	5.4	21.4	35.5	14.9	2.7	146.9
1978*	13.5	2.2	8.9	40.6	0.5	6.3	27.4	45.5	18.1	4.0	167.
1978**	13.31	2.28	9.87	43.75	0.51	6.56	27.51	49.66	19.92	3.88	177.25
1978***	13.41	2.24	9.34	42.03	0.51	6.42	27.45	47.39	18.93	3.95	171.67
Exports:											
1977	14.1	1.8	12.8	4.2	1.3	10.8	11.3	51.0	7.3	3.2	120.1
1978*	17.9	2.0	14.6	3.2	1.4	11.4	11.6	54.4	9.5	4.5	130.5
1978**	19.0	2.52	16.49	4.35	1.61	14.11	13.16	63.78	10.58	5.77	151.37
1978***	18.5	2.24	15.45	3.72	1.49	12.63	12.31	58.66	10.11	5.08	140.19
Trade Balance :											
1977	1.6	0.2	4.9	-40.1	0.8	5.4	-10.1	15.5	-7.5	0.5	-26.7
1978*	4.4	-0.1	5.7	-37.5	0.9	5.1	-15.9	8.9	-8.7	0.5	-36.7
1978**	5.69	0.2	6.62	-39.4	1.1	7.55	-14.35	14.21	-9.34	1.89	-25.88
1978***	5.09	Bal.	6.11	-38.31	0.98	6.21	-15.14	11.27	-8.82	1.13	-31.48
Change in Trade Balance :											
1978:											
** - *	1.29	0.34	0.92	-1.9	0.2	2.45	1.55	5.31	-0.64	1.39	10.9

* 1978 January through June, annualized.
 ** 1978 July through November, annualized.
 *** 1978 January through November, annualized.
 Source : Bureau of the Census, U.S. Dept. of Commerce



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The much improved look of this chart may be indicating a potentially massive shift of currencies and currency speculators to Gold.

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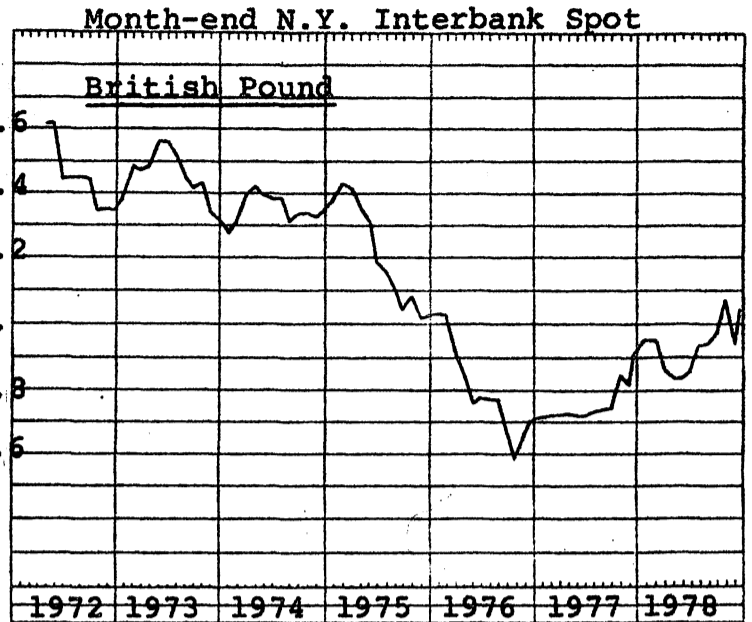
BRITISH POUND

Spot : 204.2
 Mar.79 : 204.1
 Jun.79 : 203.65
 Sep.79 : 202.95

	SEP. 78	OCT. 78	NOV. 78	NOV. 77
BALANCE OF TRADE (MLN STG)				
JAN-OCT. '77:	-1,551			
JAN-OCT. '78:	-1,073	-198	+ 97R	-192
BALANCE OF PAYMENTS (MLN STG)				
JAN-NOV. '77:				
JAN-NOV. '78:	+ 27	-140	+217R	- 72
RESERVES (BLN U.S.\$)				
	16.51	15.97	15.67	20.39
RETAIL PRICE INDEX **				
	7.80	7.83	8.06	13.03
RETAIL SALES INDEX **				
	4.25	3.89	2.42	-2.93
W.P.I. **				
	7.76	7.72	N/A	16.05
UNEMPLOYMENT RATE				
(DEC.78: 5.5)	6.4	5.7	5.6	6.1
EURO DEPOSIT %				
	1978			1977
	DEC. 8	DEC.15	DEC.22	DEC.29
	DEC.30			
1 MO.	13 1/4	12 5/8	12 3/8	12.
3 MO.	13 3/4	13 3/8	12 7/8	12 3/8
6 MO.	14 1/8	13 5/8	13 1/4	12 3/8
12 MO.	14.	13 7/8	13 1/8	13.

OPEN INTEREST(DEC.29/78): 2796 DAILY VOLUME(DEC.29/78): 307
 CONTRACT SIZE : 9P 25,000.00 (APPROX. U.S. 51,000.00)
 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



Proofs that economic myths die hard is the recent strengthening of Sterling no sooner had OPEC made the stunning announcement that oil prices would be raised an average of 14.5% during 1979.

The dramatic impact of North Sea Oil on the U.K.'s current account is well behind: from 1974 through 1977 it amounted to \$3.9 billion. In our opinion, the U.K. will be fortunate to run a minor deficit on its current account in the period 1978-1980. What is significant, however, is the exceptionally high level of capital inflows, mostly a result of a monetary policy geared to positive real rates of return. Presently, with inflation rates well anchored in the 7 1/2 - 9 % annual level, short and long term money rates yield anywhere between a 3-5% real rate of return. The U.K. could contemplate a relatively bright future if it could dismantle the highly progressive & steep tax rates now prevalent in the domestic & international (North Sea Oil exploitation royalties) areas.

Sterling is a buy; place initial stops at 197.00 basis Spot.

JAPANESE YEN

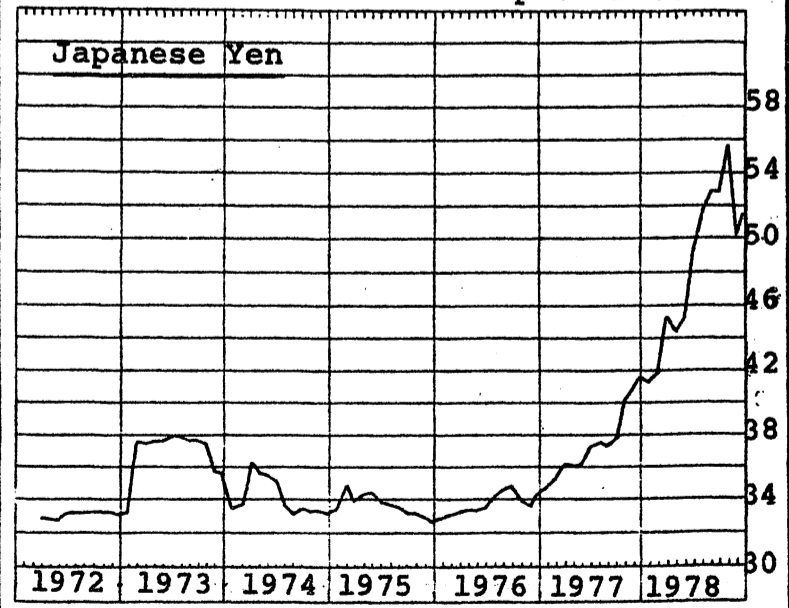
Spot : 51.51
 Mar. 79 : 52.70
 Jun. 79 : 54.10
 Sep. 79 : 55.15
 Dec. 79 : 56.45

	SEP. 78	OCT. 78	NOV. 78	NOV. 77
BALANCE OF TRADE (MLN U.S.\$)				
JAN-NOV. '77:	4,200			
JAN-NOV. '78:	2,630	1,040	1,430	1,560
BALANCE OF PAYMENTS (MLN U.S.\$)				
JAN-NOV. '77:	4,392			
JAN-NOV. '78:	7,014	346	-980R	-267
MONEY SUPPLY ** M1				
	+11.58	+11.55	N/A	6.2
RESERVES (MLN U.S.\$)				
	29,240	29,390	32,260	22,150
C.P.I. **				
	3.66	3.31		6.3
W.P.I. **				
	-3.81	-4.14	-3.22	-0.01
UNEMPLOYMENT RATE				
	2.41	2.27	2.31	2.0

OPEN INTEREST(DEC.29): 2,905 VOLUME(DEC.29) : 487
 CONTRACT SIZE : YEN 12,500,000.00 (APPROX. US\$65,000.00)
 MINIMUM FLUCTUATION : .0000010 (\$12.50)
 DAILY LIMIT (NORMAL) : .000100 (\$1250.00)
 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

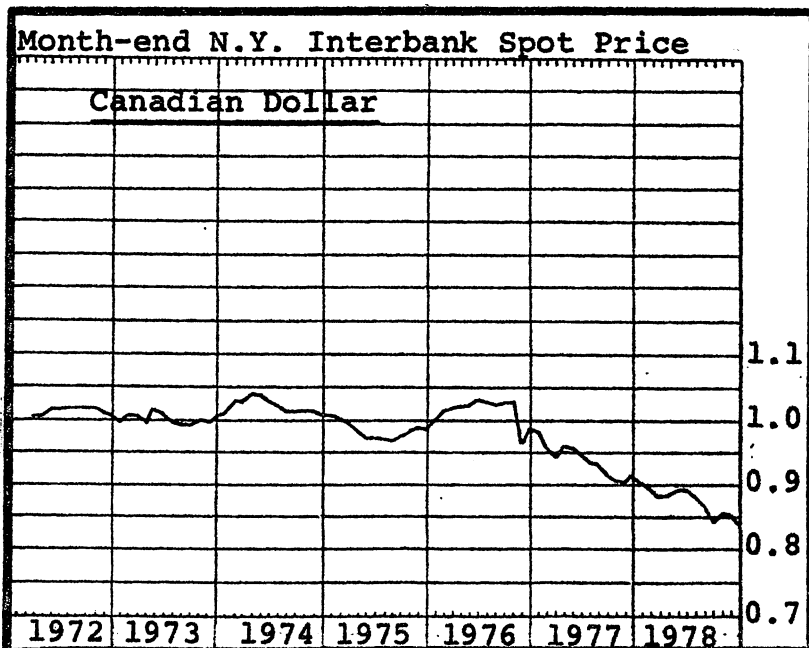
Month-end N.Y. Interbank Spot Price



Remain long; raise stops to 51.50 basis nearby.

CANADIAN DOLLAR

Spot : 84.30
 Mar. 79: 84.37
 June 79: 84.83
 Sep. 79: 85.10



Perhaps unwittingly, the Government of Canada has been able to finance over 57% of its 1978 net financing requirements to date (first half of the fiscal year) abroad, i.e. by a drop of its net international assets position. Since this form of financing does not necessitate Bank of Canada monetization, the method had been basically correct. The problem lies, however, in the enormous (& growing) size of the government's deficit, which may easily exceed 25% of its total expenditures. Assuming that the government increases its net indebtedness abroad by an additional \$4.2 bln in the second half of the 1978 fiscal year (a \$700 mln/month pace) & given that the CSB campaign has netted \$2.0 bln in new cash, the Treasury may not need to raise any additional funds to meet its \$12.0 bln deficit. The Bank of Canada therefore, will not be required to increase the Monetary Base, unless it wants to see artificially low interest rates. This may be happening, with the consequent result that the narrowly defined concept of money supply has literally exploded at rates of growth well outside target zones.

During a great part (whole?) of 1979, the economy will be guided by a weak, ineffectual & politically sensitive Fiscal Authority. Economic growth will pick up but so will inflation, with the latter hitting a rate of 18-20% per annum sometime during the year & probably averaging 12-14%.

The CD\$ will continue weak as long as the government's net financing requirements are not cut dramatically and interest rates are kept negative in real terms. A continuation of the present status quo may see a 78-86 ¢ dollar range for 1979.

Remain short until a fundamentally orthodox policy is put in place, either by a new mandate, a new gov't or the IMF.

	SEP. 78	OCT. 78	NOV. 78	NOV. 77
BALANCE OF TRADE (MLN \$)				
JAN-NOV. '77:	+2.495			
JAN-NOV. '78:	+2.980	+631	+1538	+335
GENERAL BANK LOANS**	11.05	12.65R	11.66	14.48
MONEY SUPPLY **				
M1	10.54	12.12	12.81	10.27
M1B	8.64	9.67	10.51	9.40
M2	10.58	11.26	9.94	12.05
M3	13.71	13.85	12.30	14.50
CURRENCY PLUS ALL DEPOSIT LIABILITIES**	14.04	14.71	N/A	14.21
INT'L RESERVES(BLN U.S.)	3.66	5.10	4.48	4.20
C.P.I.(ALL ITEMS)**	8.63	8.67	8.70	9.13
FOOD PRICE INDEX**	14.81	14.55	14.01	13.90
UNEMPLOYMENT RATE S.A.	8.5	8.2	8.3	8.4
N.S.A.	7.7	7.2	7.7	7.9

EURO DEPOSIT %	1978				1977
	DEC. 8	DEC. 15	DEC. 22	DEC. 29	DEC. 30
1 MO.	9 5/16	10 3/8	12 3/8	10 9/16	6 11/16
3 MO.	10 9/16	10 15/16	12 7/8	11 1/16	6 15/16
6 MO.	10 13/16	11.	13 1/4	11 5/16	7 5/16
12 MO.	10 9/16	10 3/4	13 1/4	11 1/4	7 7/16

MEXICAN PESO

Spot : 44.00 Sep. 79: 42.25
 Mar. 79: 43.20 Dec. 79: 41.64
 June 79: 42.65 Mar. 80: 41.23

Forward Discount Annual Basis

	Mar.79	Jun.79	Sep.79	Dec.79	Mar.80
Spot	11.64	7.77	6.28	6.20	5.73
Mar.79		5.25	4.54	5.01	4.67
Jun.79			3.84	4.90	4.60
Sep.79				5.99	5.01
Dec.79					4.04

OPEN INTEREST (DEC.29): 2,020 VOLUME (DEC.29): 34
 CONTRACT SIZE : MPl,000,000.00 (APPROX. U.S. 50,000,000)
 MINIMUM FLUCTUATION : .00091 (\$10.00)
 DAILY LIMIT (NORMAL) : .00150 (\$1,500.00)
 MARGIN REQUIRED : US \$6,000.00 COMMISSIONS : \$60.00
 TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
 DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

** YEAR-OVER-YEAR % CHANGE

OPEN INTEREST (DEC.29): 14,632 VOLUME (DEC.29): 294
 CONTRACT SIZE : CD 100,000.00 (APPROX. U.S. 44,500.00)
 MINIMUM FLUCTUATION : .00010 (\$10.00)
 DAILY LIMIT (NORMAL) : .00750 (\$750.00)
 MARGIN REQUIRED : US \$2,500.00 COMMISSIONS : \$40.00
 TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
 DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

** YEAR-OVER-YEAR % CHANGE

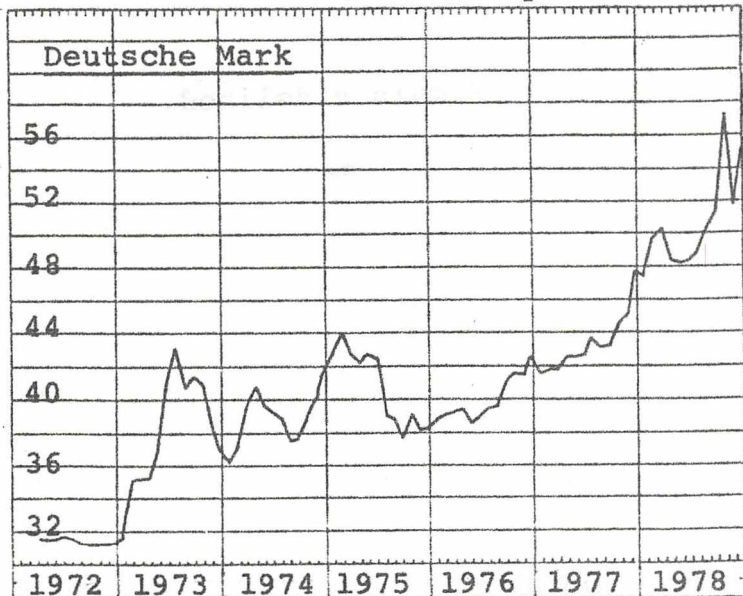
The Mexican gov't's budget for 1979 totals 1.163 bln pesos of which 22.4% will go to debt servicing, according to the official congressional presentation. Budget and Planning Minister Ricardo Garcia Sainz and Finance Ministers David Ibarra Munoz told the congress, gov't planned to maintain unchanged its three bln dlr limit on net public sector foreign borrowing during 1979. They said they expected growth in gross domestic product to reach 6.5% in 1979 compared to 6% this year and 3.2% in 1977. Inflation next year should be between 12 and 13% compared to 16-17% this year and more than 20% in 1977. They said the current account balance of payments deficit this year would amount to some 2.6 bln dlrs against 1.8 bln dlrs last year. The Ministers said that of the budget total, 21.5% was destined for investment, 56.1% to cover current costs, and 22.4% to service and amortize the public debt.

Remain sidelined.

DEUTSCHE MARK

Spot : 54.96 Sep. 79: 58.30
 Mar. 79: 56.01 Dec. 79: 59.31
 June 79: 57.24 Mar. 80: 60.37

Month-end N.Y. Interbank Spot Price



	SEP. 78	OCT. 78	NOV. 78	NOV. 77
BALANCE OF TRADE (MLN MARKS)				
JAN-OCT. '77: +32.037				
JAN-OCT. '78: +36.860	4.730	4.810	3.550	+3.080

	SEP. 78	OCT. 78	NOV. 78	NOV. 77
BALANCE OF PAYMENTS (BLN MARKS)				
CURRENT ACCT.				
JAN-NOV. '77: 3.64				
JAN-NOV. '78: +9.25	1.1	3.4	3.8	+1.4

MONEY SUPPLY ** M3	11.27
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n.p.i.**	-0.3	+1.13	1.04	1.7
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COST OF LIVING INDEX**	2.25	2.18	2.31	3.7
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UNEMPLOYMENT RATE	3.8	3.9	4.1	4.4
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	1978				1977
	DEC. 8	DEC. 15	DEC. 22	DEC. 29	DEC. 30
1 MO.	4 1/16	3 15/16	3 3/4	3 7/16	2 5/16
3 MO.	4 1/16	3 15/16	3 13/16	3 9/16	2 9/16
6 MO.	4 1/16	4 1/16	3 15/16	3 7/8	2 7/8
12 MO.	4 5/16	4 1/8	4 3/16	4.	3 1/8

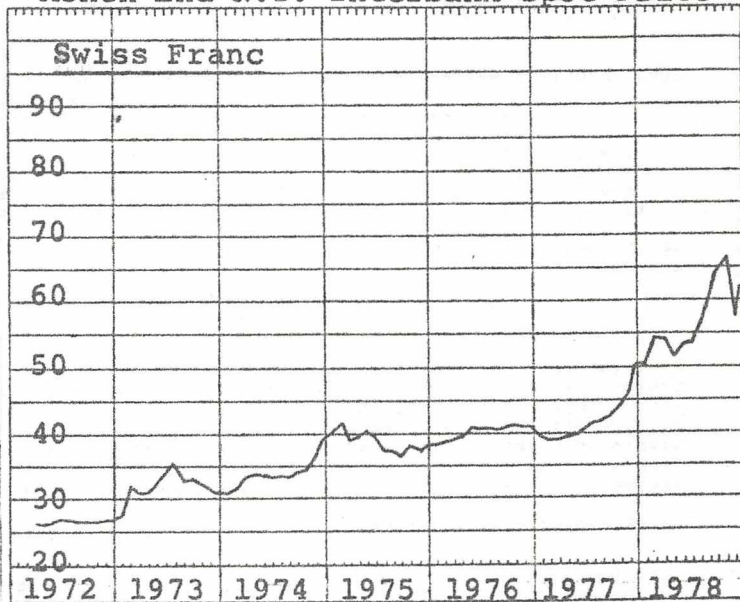
WEEKLY RESERVES NET MONETARY (BLN MARKS)	106.0 (1/12)	105.3 (7/12)	104.8	107.0
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OPEN INTEREST (DEC. 29): 5.618	VOLUME (DEC. 29): 1.264
CONTRACT SIZE : DM 125,000.00 (APPROX. U.S. 70,000.00)	
MINIMUM FLUCTUATION : .00010 (\$12.50)	
DAILY LIMIT (NORMAL) : .01000 (\$1,250.00)	
MARGIN REQUIRED : US \$5,500.00	COMMISSIONS : \$60.00
TRADING HOURS : 9:45 AM - 1:10 PM (CHICAGO TIME)	
DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER	

SWISS FRANC

Spot : 61.37 Sep. 79: 67.42
 Mar. 79: 63.47 Dec. 79: 69.02
 June 79: 65.55

Month-End N.Y. Interbank Spot Price



	SEP. 78	OCT. 78	NOV. 78	NOV. 77
BALANCE OF TRADE (MLN SFR)				
JAN-NOV. '77: -1,310.				
JAN-NOV. '78: - 804	-125	+12.9	+6.0	+145

MONEY SUPPLY	18.59	0.4
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n.p.i.**	-4.67	-3.96	-2.73	-1.15
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UNEMPLOYMENT RATE	0.3	0.3	0.4	0.4
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	1978				1977
	DEC. 8	DEC. 15	DEC. 22	DEC. 29	DEC. 30
1 MO.	3/8	PAR	1/8	1/16	1 3/16
3 MO.	7/16	3/16	3/16	3/16	1 15/16
6 MO.	3/4	1/2	3/8	1/4	1 13/16
12 MO.	1 1/2	1.	1.	3/4	2 1/16

WEEKLY RESERVES (MLN SFR)	28,320 (7/12)	30,920	31,920 (22/12)
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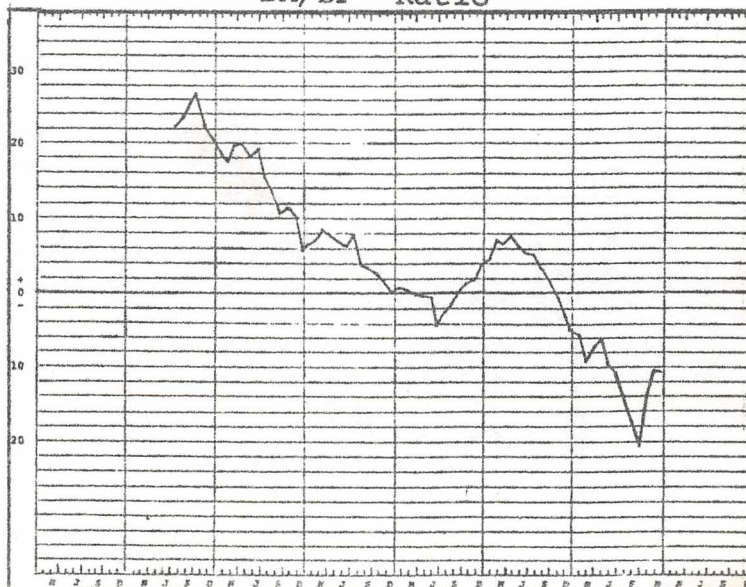
OPEN INTEREST (DEC. 29): 4.913	VOLUME (DEC. 29) : 931
CONTRACT SIZE : SF 125,000.00 (APPROX. U.S. 80,000.00)	
MINIMUM FLUCTUATION : .00010 (\$12.50)	
DAILY LIMIT (NORMAL) : .01000 (\$1,250.00)	
MARGIN REQUIRED : US \$6,500.00	COMMISSIONS : \$60.00
TRADING HOURS : 9:45 AM - 1:10 PM (CHICAGO TIME)	
DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER	

** YEAR-OVER-YEAR % CHANGE

Responding in tandem to the renewed weakness of the U.S. dollar, both the DM & the Sfr have recovered a substantial part of the November losses. The DM continues to outperform the Sfr as reflected by the DM/Sfr ratio which now stands at almost 90%, a result of a highly aggressive intervention policy on the part of the Swiss National Bank. In a period of just 3 weeks, Swiss Reserves have increased by 3.6 billion Sfr, clearly an unsustainable pace. We doubt the DM/Sfr ratio will see a much greater improvement & suggest unwinding straddles for those who entered them at the 78-80% level (Currency Comments, October 4th).

Retain long March '79 DM & SFR positions, raising stops to 54.5 and 60.5 respectively.

DM/SF Ratio



FRENCH FRANC

Spot : 23.98
 Mar. 79: 23.89
 Jun. 79: 23.80

	SEP. 78	OCT. 78	NOV. 78	NOV. 77
BALANCE OF TRADE (MLN FRF)				
JAN-NOV. '77:	-13.053			
JAN-NOV '78:	+2.900	+1.300	+721	+324
				-2.670
NET CHANGE OF FOREIGN EXCHANGE ASSETS **				
	19.69	19.82	21.51	17.51
RETAIL PRICE INDEX**				
	9.16	9.26	9.42	9.06

EURO DEPOSIT %	1978				1977
	DEC. 8	DEC. 15	DEC. 22	DEC. 29	DEC. 30
1 MO.	10 1/4	9 1/4	9 1/4	10 3/8	12 1/2
3 MO.	10 1/8	9 1/2	9 1/2	9 3/8	13 1/2
6 MO.	10 1/4	9 13/16	9 1/2	9 7/8	14 5/16
12 MO.	10 5/8	10 3/8	10 1/8	10 1/4	13 1/2

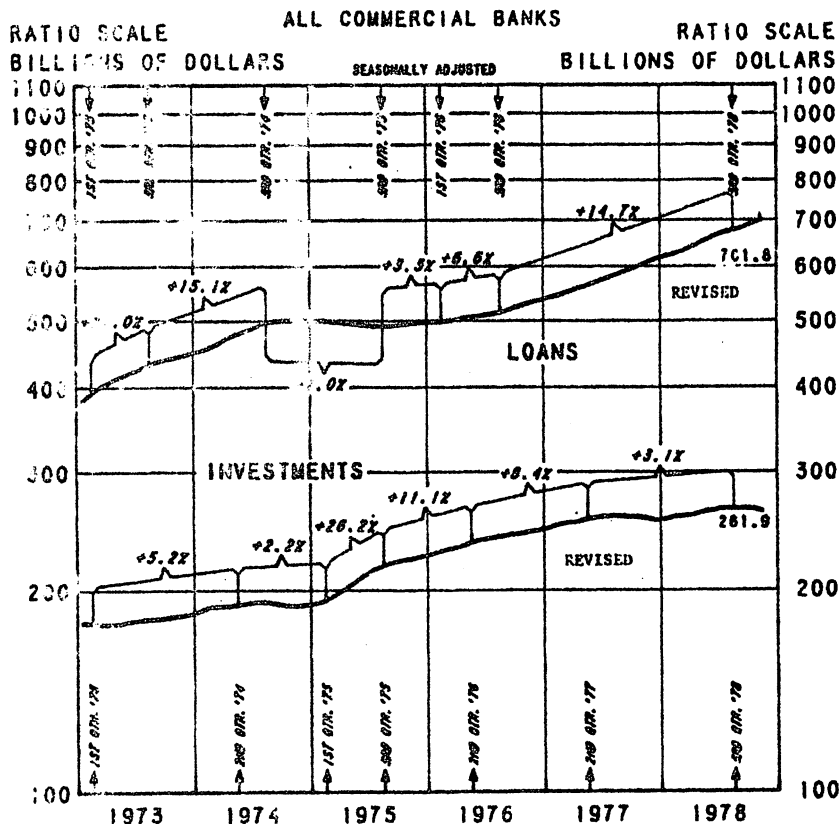
WEEKLY RESERVES
 GOLD & COMMODITY CURRENCY
 117,544 117,505 118,581 118,873 (21/12)

Remain sidelined.

OPEN INTEREST (DEC.29): 382 VOLUME(DEC.29): ---
 CONTRACT SIZE : FR 250,000.00 (APPROX. U.S.60,000.00)
 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

BANK LOANS AND INVESTMENTS ^U



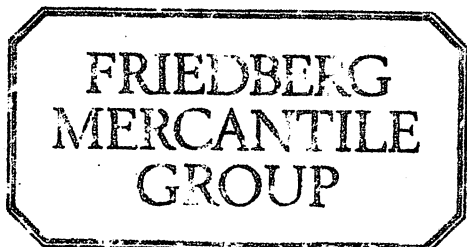
LAGGAGES OF SEASONALLY ADJUSTED DATA FOR CURRENT AND PRECEDING LAST WEDNESDAY OF EACH MONTH.
 PERCENTAGES ARE ANNUAL RATES OF CHANGE FOR PERIODS INDICATED.
 LATEST DATA PLOTTED: NOVEMBER

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

Friedberg Commodity Index

	Dec. 78	Nov. 78	Dec. 77
Unch. from month ago			
+14.35% from year ago	239	239	209

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



Albert D. Friedberg