

FRIEDBERG'S

COMMODITY & CURRENCY COMMENTS

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In Praise of Free Credit Markets

April 3rd, 1979

The introduction of Money Market Certificates (MMC) this past June changed inalterably the course of American monetary history.

It postponed the inevitable crunch by at least one if not as much as two years.

It deferred the recession by at least as much.

It thoroughly managed to confuse the Fed, the Fed watchers and the Public.

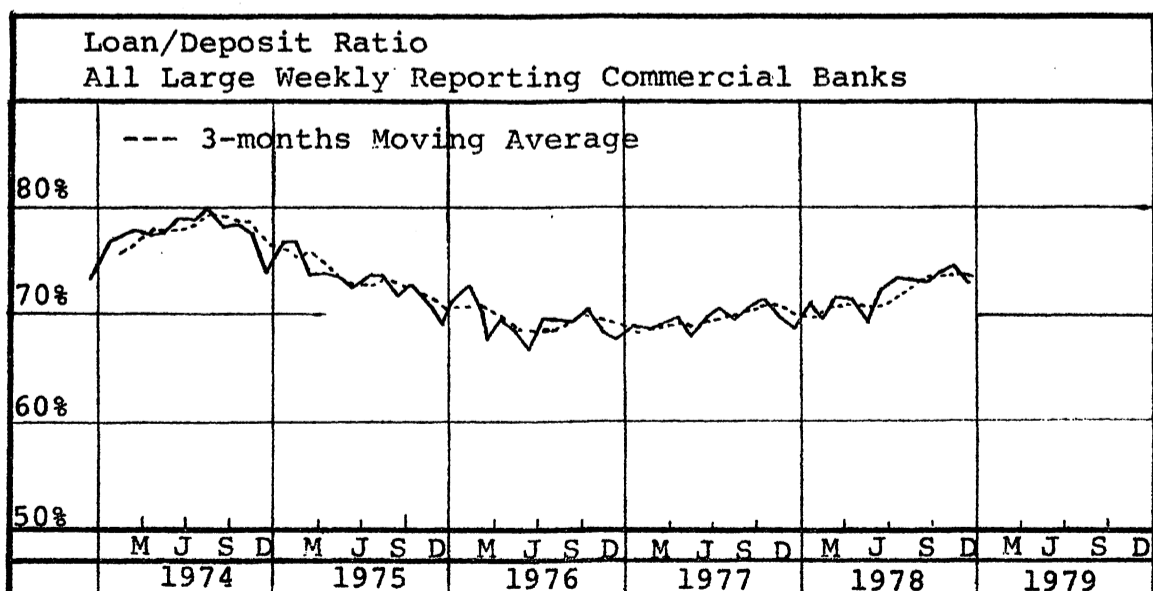
It benefitted America's ignored middle class.

For all that and more, it should be praised.

What happened? On June 1978, America's little saver was given a chance to earn money market rates (closely geared to TB rates) on deposits of \$10,000 and above. He promptly withdrew funds from passbook savings accounts earning at most 5 1/2% and purchased MMC's. Later in the year, he decided to economize chequing account balances and purchased with those proceeds MMC's. In just nine short months, he shifted the gargantuan sum of one hundred billion dollars into MMC's issued by Mutual Savings Banks, Savings and Loans Assoc. and Commercial Banks, thirty six billion to the latter alone!

It would then stand to reason that M1, which comprises currency and demand deposits, would have shown a slight drop over the past six months. It would also easily explain why M2 which adds savings deposits to M1, should show a significant flattening.

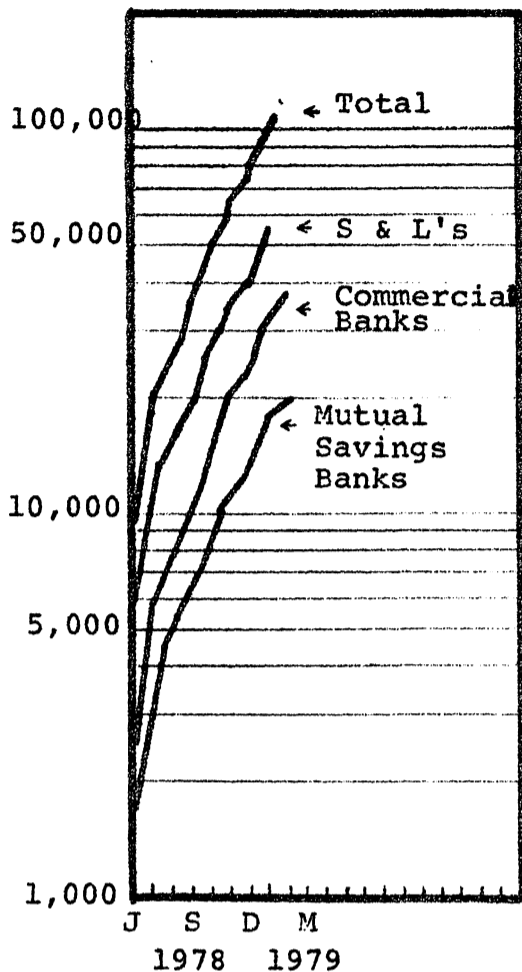
But there is more. Since MMC's enjoy a preferentially low reserve requirement (very much like conventional savings accounts), the shift from demand deposits to MMC's enabled the commercial banking system to fund the accelerating demand for loanable funds without actually forcing a sharp credit rationing by way of rising interest rates. This explains the relatively soft trend of short term money market rates (such as CD's and commercial paper) in the face of burgeoning loan demand. The accompanying chart show that the



banking system is still relatively flush with liquidity when compared to the previous 1974 period of rising interest rates in spite of the fact that loan demand has been growing 50% faster than during 1974.

Naturally, as these pockets of liquidity begin to dry up, rates will be pushed higher so as to equalize supply of and demand for credit. A look at the accompanying chart (plotted logarithmically), however, indicates that a possible flattening is still far off, possibly

MMC's - Mln of U.S.\$



as much as two years away. Furthermore, the Federal Reserve Board is considering giving the poor fellow with just \$1,000 the same break. Imagine the confusion!

And now the final twist. Some Fed-watchers have ignored the multiplicity of M's and have instead concentrated on its most proximate determinant, i.e. Monetary Base or High Powered Money. But, we suggest, since Monetary Base is a function of Federal Reserve Credit and it, in turn, is passively influenced by the demand for Fed Funds, it stands to reason that the Fed was fortuitous and not premeditatively tight in the conduct of its affairs. The reason is simple. Commercial banks, flush with 9 1/2 - 10 1/4% money, have not seen the need to bid Fed Funds beyond the 10 1/4% upper intervention level. Result: the Fed has not had to purchase Treasury Securities. If anything, Fed Funds have tended to drift down to 9 15/16% forcing the Fed to sell Treasury Securities. Everything else being equal, at similar interest rates, commercial banks are better off with six months deposit liabilities, such as MMC's, than with overnight funds such as Fed Funds. The result is a flattening of Federal Reserve Credit and consequently, Monetary Base.

Our conclusion: monetary growth is alive and well thanks to the lifting of silly deposit ceilings. Another absurdity, differential reserve requirements on demand and time deposits is causing a sensational monetary inflation allowing unhindered credit expansion. The Crash of '79 may well turn out to be the Crash of '81, as the Germans would have it...

STRATEGY : Interest rates will continue to rise, albeit slowly. Remain firmly short GNMA's and Treasury Bonds placing stops just 20/32's above present levels. The no-crunch-no-recession-yet scenario should also be good news for those who delve in such boring exercises as stock market investing.

RESERVES AGGREGATES *

	TOTAL RESERVES **			NON-BORROWED RESERVES **		
	13 WKS	26 WKS	52 WKS	13 WKS	26 WKS	52 WKS
JAN.3 '79	4.7	3.2	6.7	6.1	4.7	5.8
10	-1.4	2.1	5.6	1.5	3.6	4.6
17	-1.3	1.2	5.3	1.5	2.8	4.1
31	-0.3	1.5	4.9	2.6	3.3	3.6
FEB.7	2.3	2.2	4.6	3.6	3.9	3.3
14	-0.1	1.7	3.9	-0.7	2.4	2.4
21	-0.1	1.7	3.7	-2.6	2.6	2.2
28	-4.5	-0.5	2.7	-7.4	0.2	1.3
MAR.7	-4.8	-1.0	3.0	-8.3	-0.3	1.4
14	-4.7	-0.9	3.3	-7.8	-0.4	1.7
21	-5.0	-1.4	3.2	-8.5	-2.0	1.6

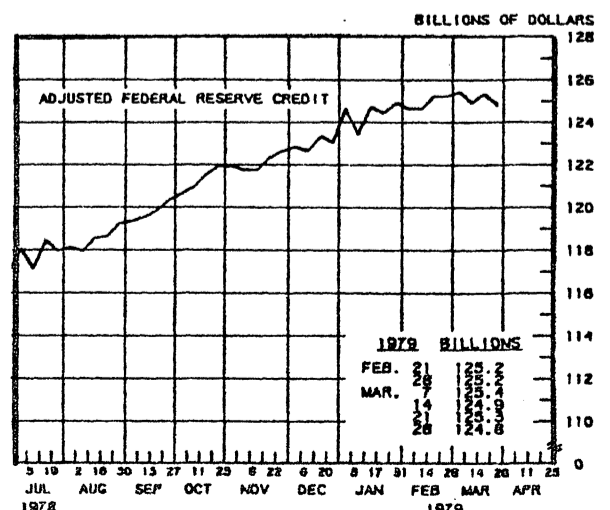
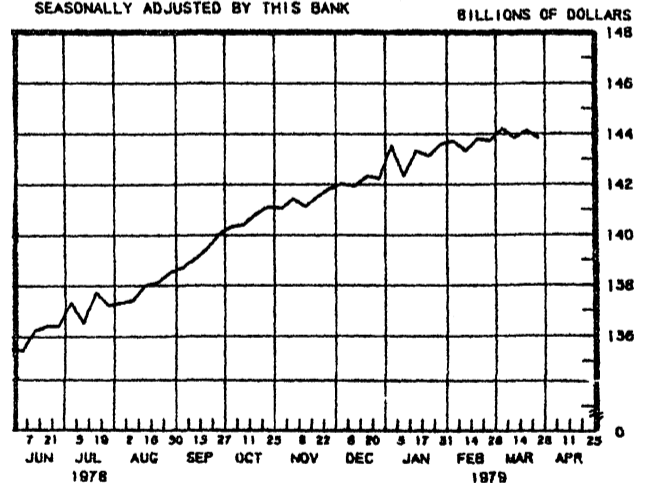
* ALL PERCENTAGE CHANGES ARE AT SEASONALLY ADJUSTED ANNUAL RATES, NOT COMPOUNDED.
 ** AVERAGE OF 4 WEEKS ENDED FROM 4 WEEKS AVERAGE...

MEMBER BANK DEPOSITS - SUBJECT TO RESERVE REQUIREMENTS

DATE	3 MO. *	6 MO. *	12 MO. **
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	7.45	8.52	9.74
OCT. 78	5.3	7.65	8.99
NOV. 78	11.2	8.73	9.43
DEC. 78	6.55	7.14	8.47
JAN. 79	8.81R	6.98	7.88
FEB.79(P)	1.83	5.72	7.30

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

ADJUSTED MONETARY BASE
 AVERAGES OF DAILY FIGURES
 SEASONALLY ADJUSTED BY THIS BANK



Currencies

The table reproduced below helped us spotlight last month the most likely movement of funds across the exchanges. It was shown that the U.K. & the U.S. money markets were providing the most attractive prospective real rates of return, and, therefore, were presaging a strengthening BP & U.S. dollar, particularly vis a vis the DM & the SF. Our update of this table takes into account the recently released CPI figures for the month of February. Noteworthy is the significant deterioration of the U.S. rates (having moved into negative territory) and the sharp turn for the worse in the Swiss Franc rates. Having established a strong upward momentum in the foreign exchange markets, it is unlikely that the U.S. negative (prospective) real rate of return will deter global depositors. More likely, funds will begin shifting into U.S. tangible assets and/or equities thus causing an upside explosion in stock prices. Worsening inflation figures will, however, force the U.S. monetary authorities to raise nominal rates before too long.

Real Annualized Rates of Return on 3 months Currency Deposits
Based on expected rates of inflation*

	July'78**	October'78**	January'79**	February'79**	March'79**
British Pound	4.12 %	4.88%	4.22%	2.6%	.84
Canadian \$	-1.61	2.57	2.82	1.96	1.0
Deutsche Marks	1.005	1.85	1.30	0.508	.935
Swiss Francs	.991	-0.353	-1.036	0.996	-3.003
US\$	.14	1.25	2.08	1.41	-.028

* Linear regression used on past 3 months' year over year rates of inflation to project next 3 months.
** Projection is compared to prevailing rates in 3rd week of the first month of the subsequent period.

BRITISH POUND

Jun.79: 206.45 Mar.80:204.75
Sep.79: 206.40
Dec.79: 206.10

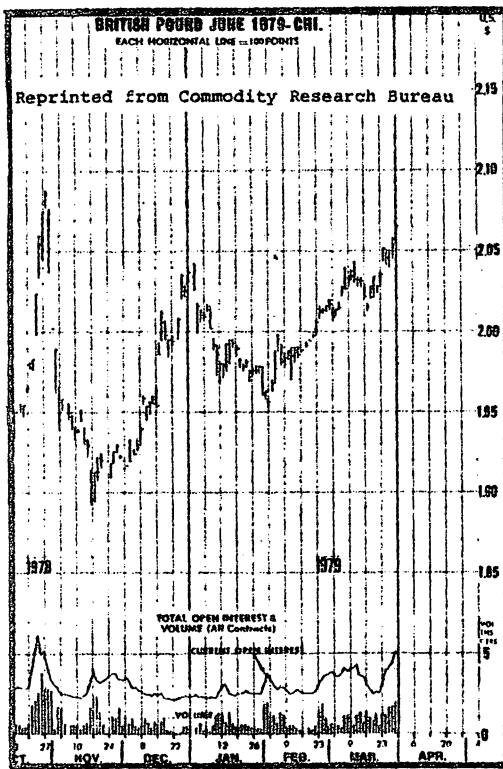
Euphoria related to a possible Tory election victory helped Sterling attain a new recovery high, exactly in line with the target we projected last month. Our objective was computed "backwards", i.e. by assuming a top rate of DM 3.90 and a slightly falling DM/U.S. rate.

Further upside progress is no longer that certain. In the first place, it is unlikely that the Bank of England will allow Sterling to appreciate much more vis a vis other European currencies in view of the UK's potential entry into the EMS - a subject presently being re-considered. Secondly, very substantial equity and Gilts profits accrued over the past several weeks should induce foreign profit-taking & some outflow of funds. Finally, the substantial narrowing of the forward discount, now at just 70 pts for 6 months, and the tumble of short and long interest rates, make it increasingly less attractive to hold Sterling deposits and/or Gilts.

Tory promises of a cut in income taxes and a reduction in the PBSR to below £8.5 billion cannot possibly be achieved in the short run, although the presumption is strong that, in the long run, the Laffer curve will be operative. In the months ahead, the U.K. corporate sector may be facing a severe squeeze in profit margins, a rise in the household savings ratio and some slowdown in the export-oriented industries. This combination could lead to a year-end recession.

Accept profits on long Sterling positions first recommended at 1.9850. Long Sterling/short DM spreads may be closed out at a substantial profit or, alternatively, the long Sterling leg may be liquidated and the short DM leg retained.

BP ...



	DEC.78	JAN.79	FEB.79	FEB.78
RESERVES (BLN U.S.\$)	15.69	16.26	16.62	20.8
RETAIL PRICE INDEX **	8.39	9.34	9.60	9.48
RETAIL SALES INDEX **	5.71	4.48	4.40	1.04
N.P.I. **	8.5	7.75	N/A	12.53
UNEMPLOYMENT RATE	5.5	5.6	5.7	5.9

	1979				1978
	MAR. 9	MAR.16	MAR.23	MAR.30	MAR.28
EURO DEPOSIT %					
1 MO.	12 1/4	12 1/8	12 3/4	12 1/8	6 7/8
3 MO.	12.	12.	12 1/4	11 7/8	7 3/8
6 MO.	12.	12.	12 1/8	11 1/2	7 7/8
12 MO.	12 3/4	12 1/8	12 1/16	11 1/2	8 1/8

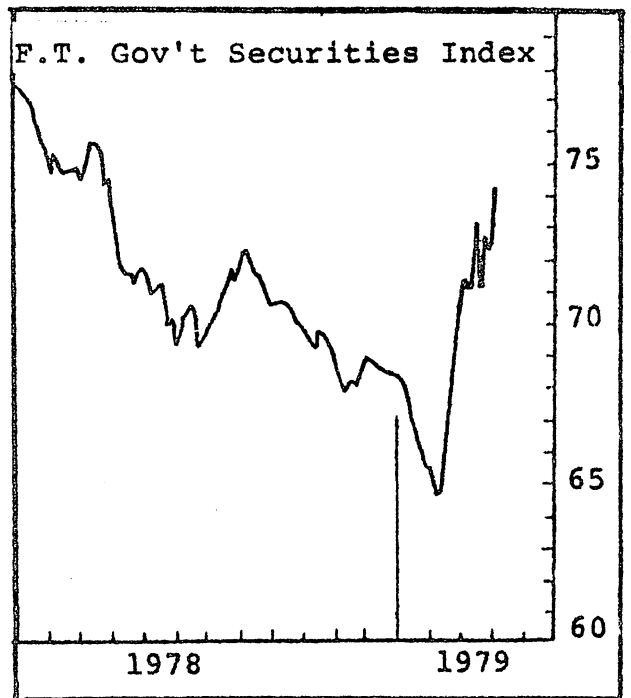
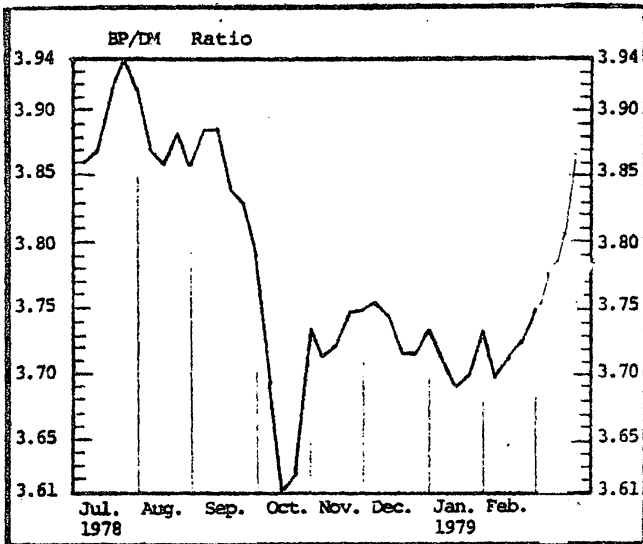
OPEN INTEREST (MAR.30/79): 4,880 DAILY VOLUME (MAR.30/79): 2562
 CONTRACT SIZE : BP 25,000.00 (APPROX. U.S. 51,500)
 MINIMUM FLUCTUATION : .00050 (\$12.50)
 DAILY LIMIT (NORMAL) : .05000 (\$1,250.00)
 MARGIN REQUIRED : US \$2,500.00 COMMISSIONS : \$60.00
 TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
 DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

** YEAR-OVER-YEAR % CHANGE

NORTH SEA OIL: ECONOMIC EFFECTS ON UK

	1978	1979	1980	1981	1982
Oil Consumption (m tonnes)	83	90	94	98	104
North Sea Oil Output (m tonnes)	53	79	100	115	125
Effect upon (£b):					
Balance of payments (current account)	2.2	3.8	5.7	8.0	9.9
Visible account	3.0	5.1	7.5	9.6	11.4
Exports	1.2	2.0	3.0	3.8	4.6
Import saving	1.8	3.1	4.5	5.8	6.8
Invisible account	-0.8	-1.3	-1.8	-1.6	-1.5
Borrowing Requirement	-0.4	-1.5	-2.5	-3.4	-5.0
Gross Company Profits	2.6	4.6	6.7	8.6	10.1

Source: Economic Outlook, February 1979, London Business School



Financial Times

Jun. 79: 23.340

Sep. 79: 23.560

*** Remain sidelined.***

FRENCH FRANC

	DEC. 78	JAN.79	FEB.79	FEB. 78																																				
BALANCE OF TRADE (MLN FFR)	-871	+ 51	-9	+127																																				
NET CHANGE OF FOREIGN EXCHANGE ASSETS **	24.45	27.20	29.85	14.04																																				
RETAIL PRICE INDEX**	9.71	10.19	10.12	9.23																																				
EURO DEPOSIT %	<table border="1"> <thead> <tr> <th></th> <th colspan="4">1979</th> <th>1978</th> </tr> <tr> <th></th> <th>MAR. 9</th> <th>MAR.16</th> <th>MAR.23</th> <th>MAR.30</th> <th>MAR.28</th> </tr> </thead> <tbody> <tr> <td>1 MO.</td> <td>8 1/4</td> <td>7 7/8</td> <td>7 1/2</td> <td>7 7/8</td> <td>9 5/8</td> </tr> <tr> <td>3 MO.</td> <td>8 1/2</td> <td>8 3/16</td> <td>8.</td> <td>8 1/8</td> <td>10.</td> </tr> <tr> <td>6 MO.</td> <td>9 1/8</td> <td>8 15/17</td> <td>8 5/8</td> <td>8 13/16</td> <td>10 7/8</td> </tr> <tr> <td>12 MO.</td> <td>9 5/8</td> <td>9 1/2</td> <td>9 7/16</td> <td>9 3/8</td> <td>11.</td> </tr> </tbody> </table>					1979				1978		MAR. 9	MAR.16	MAR.23	MAR.30	MAR.28	1 MO.	8 1/4	7 7/8	7 1/2	7 7/8	9 5/8	3 MO.	8 1/2	8 3/16	8.	8 1/8	10.	6 MO.	9 1/8	8 15/17	8 5/8	8 13/16	10 7/8	12 MO.	9 5/8	9 1/2	9 7/16	9 3/8	11.
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12 MO.	9 5/8	9 1/2	9 7/16	9 3/8	11.																																			

WEEKLY RESERVES
 GOLD & CONV. CURRENCY
 (MLN FFR) 130,092(1/3) 130,110(8/3) 130,069(15/3)
 104,519(22/3)

OPEN INTEREST (MAR.30): 8 VOLUME(MAR.30): 1
 CONTRACT SIZE : FR 250,000.00 (APPROX. U.S. 58,000)
 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

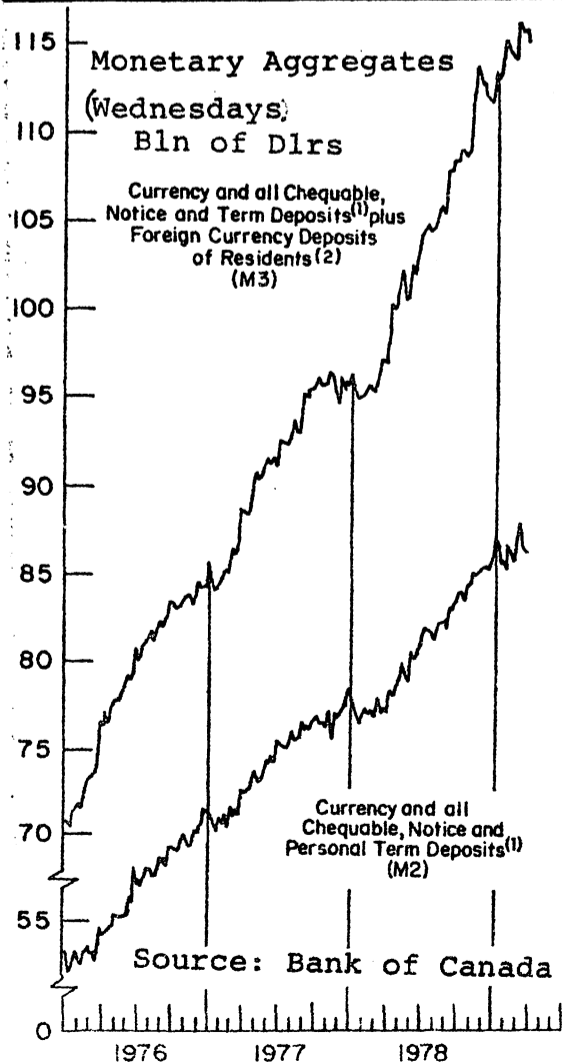
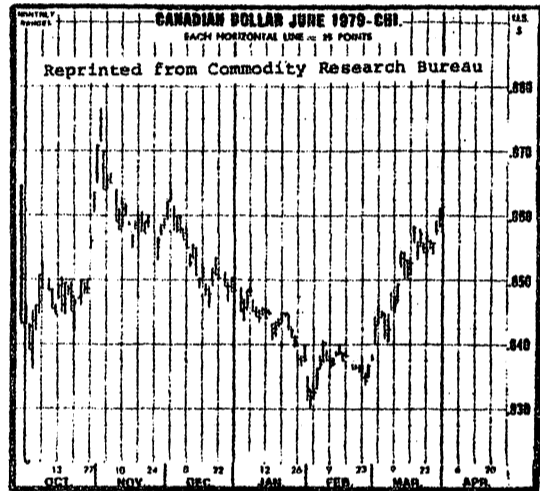
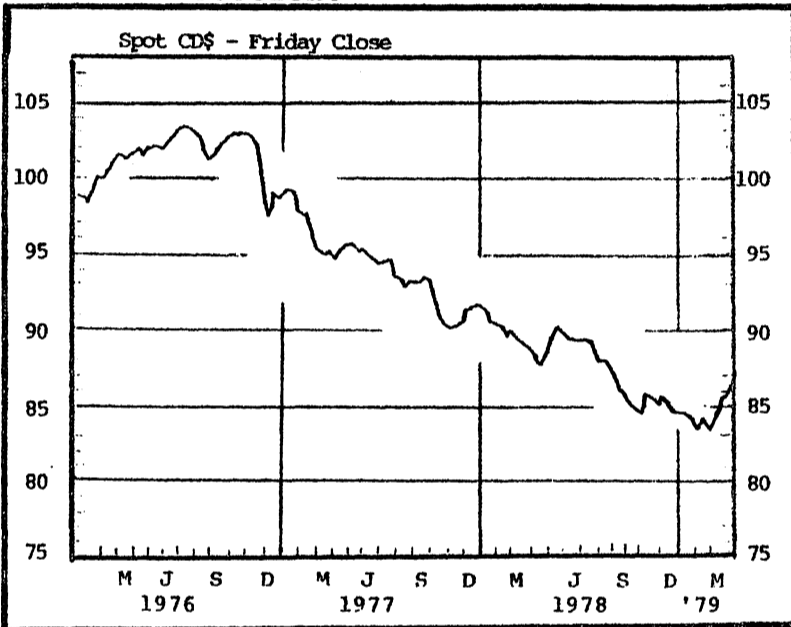
CANADIAN DOLLAR

June.79 : 86.37
 Sep. 79 : 86.40
 Dec. 79 : 86.50

Reversing a formidable 27-months long downtrend, the CD\$ has gained rapidly over 1 1/2 percentage point vis a vis the U.S. dollar over the past few weeks. European bargain-hunting, substantial conversions of recent U.S. borrowings, some Euro-Canadian new issues and a favorable interest rate spread are responsible for this mini-bull market.

A momentum, once established, is unlikely to be reversed quickly as this morning's trade figures proved. Despite a rather poor showing for February market sentiment remained constructive, no doubt waiting and hoping for the final improvement. As we have repeatedly stated in the past, this improvement is not likely to ever take place simply because internationally-traded goods are arbitrated rather quickly thus throwing away short term gains arising out of devaluations. Monetary, and not structural, remedies are in order. Given present rates of growth of the broadly-based monetary aggregates (see table) one can conclude that the bitter pill has as yet not been taken.

Having advised covering short CD\$ positions on a move above 84.75, we now prefer to watch the ongoing rally from the sidelines. A new short-selling opportunity may arise again a few days before the May 22nd General Election.



	1978	JAN. 79	FEB. 79	FEB. 78
BALANCE OF TRADE (MLN \$)				
JAN-FEB. 1978:	+520			
JAN-FEB. 1979:	+498	+110	+352R	+146
GENERAL BANK LOANS**	12.12	14.14	14.34	11.47
MONEY SUPPLY **				
M1	8.64	7.46	9.22	11.48
M1B	6.66	6.14	6.03	10.53
M2	12.49	13.45	14.03	10.77
M3	17.22	19.56R	20.19	12.74
CURRENCY PLUS ALL DEPOSIT LIABILITIES**	15.5	15.9	N/A	11.89
INT'L RESERVES (BLN U.S.)	4.57	4.4	4.11	3.7
C.P.I. (ALL ITEMS)**	8.43	8.9	9.18	8.69
FOOD PRICE INDEX**	12.79	14.09	16.11	13.36
UNEMPLOYMENT RATE S.A.	8.1	8.1	7.9	8.3
N.S.A.	7.9	9.1	8.8	9.5

EURO DEPOSIT %	1979				1978
	MAR. 9	MAR. 16	MAR. 23	MAR. 30	MAR. 28
1 MO.	10 15/16	11 1/16	11 3/16	11 1/4	7 1/2
3 MO.	11.	11 1/16	11 1/8	11 1/4	7 3/4
6 MO.	11 1/8	11 1/16	11 1/16	11 1/8	8 1/8
12 MO.	11 1/8	11 1/16	11 1/16	10 15/16	8 1/4

OPEN INTEREST (MAR. 30): 7,453 VOLUME (MAR. 30): 1,196
 CONTRACT SIZE : CD 100,000.00 (APPROX. U.S.\$ 86,000)
 MINIMUM FLUCTUATION : .00010 (\$10.00)
 DAILY LIMIT (NORMAL) : .00750 (\$750.00)
 MARGIN REQUIRED : US \$2,000.00 COMMISSIONS : \$60.00
 TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)
 DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

** YEAR-OVER-YEAR % CHANGE

June '79: 53.73
 Sep. '79: 54.35
 Dec. '79: 54.90
 Mar. '80: 55.50

DEUTSCHE MARK

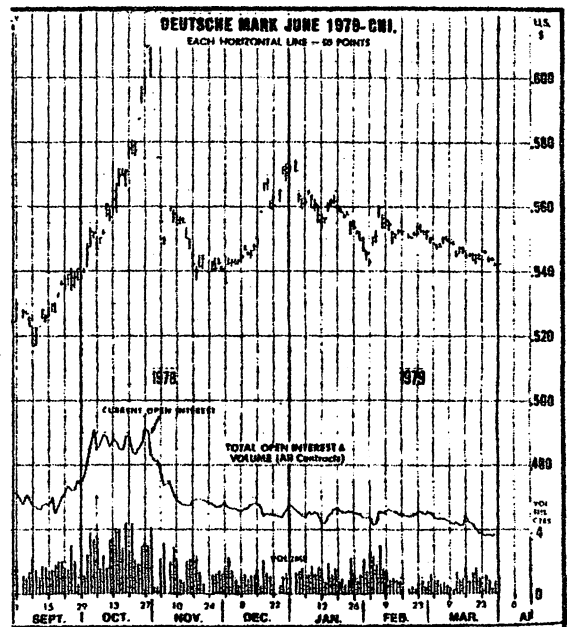
	DEC. 78	JAN. 79	FEB. 79	FEB. 78
BALANCE OF TRADE (MLN MARKS)	3,830	2,050	2,400	2,830
BALANCE OF PAYMENTS (BLN MARKS)				
CURRENT ACCT.	3.09	0.2	+0.9	+0.5
MONEY SUPPLY ** M3	10.65	9.91	10.92	10.29
W.P.I.**	1.24	1.18	3.07	+0.1
COST OF LIVING INDEX** (MAR.79:+3.27%)	2.44	2.83	2.95	3.11
UNEMPLOYMENT RATE	4.4	5.1	5.0	5.4

EURO DEPOSIT %	1979				1978
	MAR. 9	MAR.16	MAR.23	MAR.30	MAR.28
1 MO.	4 5/16	4 1/4	4 3/8	4 7/8	3 1/2
3 MO.	4 3/8	4 3/8	4 5/8	5 1/8	3 1/2
6 MO.	4 11/16	4 11/16	4 15/16	5 7/16	3 7/16
12 MO.	4 7/8	4 15/16	5 1/8	5 9/16	3 7/16

WEEKLY RESERVES
 NET MONETARY
 (BLN MARKS) 95.6(28/2) 93.5(7/3) 93.5(14/3) 92.3(23/3)

OPEN INTEREST(MAR.30):	3.664	VOLUME (MAR.30):	709	CRUDE OIL IMPORTS (MLN TONNES)	FEB.79	JAN.79	FEB.78
CONTRACT SIZE	: DM 125,000.00 (APPROX. U.S. 67,500)						
MINIMUM FLUCTUATION	: .00010 (\$12.50)						
DAILY LIMIT (NORMAL)	: .01000 (\$1,250.00)						
MARGIN REQUIRED	: US \$5,500.00	COMMISSIONS	: \$60.00	IMPORTS	8.7	9.1	6.5
TRADING HOURS	: 8:45 AM - 1:10 PM (CHICAGO TIME)			AVG PRICE(MARKS/TONNE)	212.24	206.73	222.62
DELIVERY MONTHS	: MARCH, JUNE, SEPTEMBER, DECEMBER						

** YEAR-OVER-YEAR % CHANGE.



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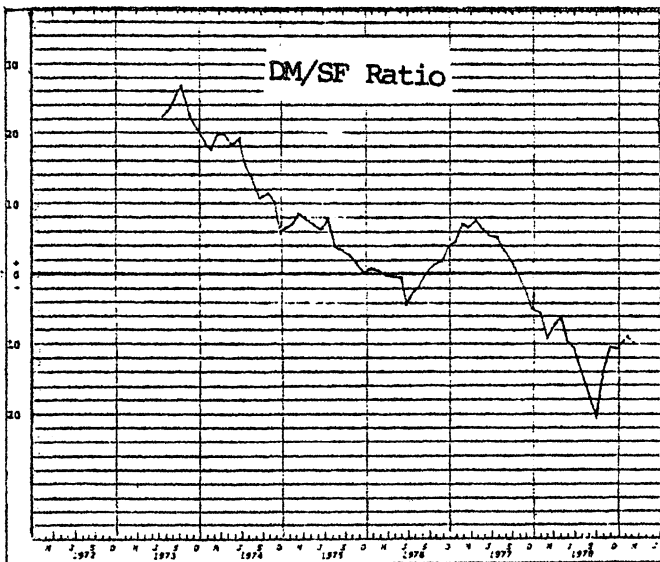
The sharp rise in interest rates brought about by the 1 % hike in the Bundasbank's Discount and Lombard rates does not seem to have impressed the foreign exchange markets. This is natural in view of the enormous amount of liquidity built up over the past year and the rapidly accelerating rate of inflation now taking place.

Sell June '79 DM at market, placing stops at 54.50 basis Spot. Our intermediate objective lies at 51.50.

SWISS FRANC

June '79: 59.85 Mar. '80: 63.63
 Sep. '79: 61.24
 Dec. '79: 62.52

	DEC. 78	JAN. 79	FEB. 79	FEB. 78
BALANCE OF TRADE (MLN SFR)	+284	-186	-355	+36
MONEY SUPPLY	22.6	N/A	N/A	N/A
W.P.I.**	-2.34	-1.17	+0.5	-2.83
UNEMPLOYMENT RATE	0.4	0.6	0.5	0.5



EURO DEPOSIT %	1979				1978
	MAR. 9	MAR.16	MAR.23	MAR.30	MAR.28
1 MO.	1/4	1/8	5/16	3/8	1/2
3 MO.	3/8	1/4	3/8	1/2	11/16
6 MO.	13/16	11/16	13/16	15/16	15/16
12 MO.	15/16	1.	1 1/4	1 9/16	1 3/8

WEEKLY RESERVES
 (BLN SFR) 29.45(7/3) 27.79(15/3) 27.58 (23/3)

OPEN INTEREST(MAR.30):	4,640	VOLUME(MAR.30):	1,222
CONTRACT SIZE	: SF 125,000.00 (APPROX. U.S.75,000)		
MINIMUM FLUCTUATION	: .00010 (\$12.50)		
DAILY LIMIT (NORMAL)	: .01000 (\$1,250.00)		
MARGIN REQUIRED	: US \$6,500.00	COMMISSIONS	: \$60.00
TRADING HOURS	: 8:45 AM - 1:10 PM (CHICAGO TIME)		
DELIVERY MONTHS	: MARCH, JUNE, SEPTEMBER, DECEMBER		

** YEAR-OVER-YEAR % CHANGE

The SF remains easily the most overpriced currency in the industrialized world.

We strongly recommend selling deferred positions, now selling at premiums approaching 9% per annum. Place stops 150 points above present levels. Alternatively, December '79 SF may be sold against the purchase of December '79 DM. In our view, the DM could come close to attaining parity once again.

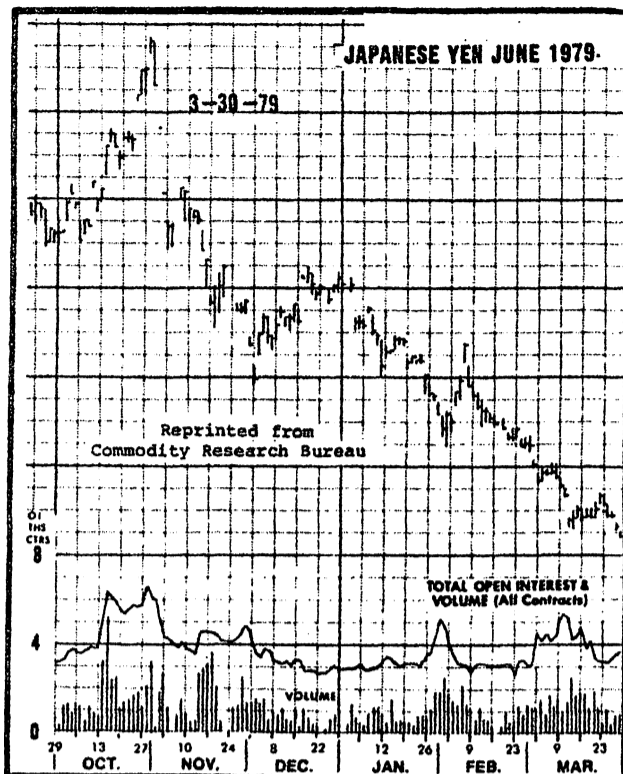
JAPANESE YEN

June '79: 47.63 Sep. '79: 48.10 Dec. '79: 48.57

	DEC. 78	JAN. 79	FEB. 79	FEB. 78
BALANCE OF TRADE (MLN U.S.\$)	2,600	- 827	+1,090	+2,340
BALANCE OF PAYMENTS (MLN U.S.\$)				
OVERALL ACCOUNT	- 80	- 974	-760	+2,010
CURRENT ACCOUNT	1,900	-1,420	+ 300	+1,830
MONEY SUPPLY ** M1	+10.77	N/A	N/A	N/A
RESERVES (MLN U.S.\$)	33,020	33,110	52,690	24,190
C.P.I. **	3.52	3.17	2.42	4.16
W.P.I. **	-0.46	-1.61	-0.85	-1.8
UNEMPLOYMENT RATE	2.26	2.06	1.88	2.08

OPEN INTEREST (MAR. 30): 4,030 VOLUME (MAR. 30): 1,479
 CONTRACT SIZE : YEN 12,500,000.00 (APPROX. US\$ 50,000)
 MINIMUM FLUCTUATION : .000010 (\$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



The sharp drop in the Japanese trade surplus has less to do with exchange rates than with a combination of : (a) a quickening of domestic economic activity; (b) continued government stockpiling of petroleum and other not immediately necessary raw materials and (c) "gentleman agreements" with the U.S. and the EEC limiting the virtual barrage of Japanese goods coming onto their markets. On the latter score, EEC demands may torpedo the current round of GATT talks moving the world into a dangerous protectionist direction. American demands of allowing easier access to U.S. made goods into Japan may be far and away the best solution to the Japanese trade surpluses.

Heavy selling of U.S. dollars on the part of the Bank of Japan should facilitate even further the satisfactory management of the monetary aggregates which have continued to grow at a steady 11% yearly rate.

Although the short term trend is down in sympathy with the general climb of the U.S. dollar and the market's perception of what rising oil prices will do to Japan, one cannot but conclude that the Yen remains fundamentally the world's strongest currency.

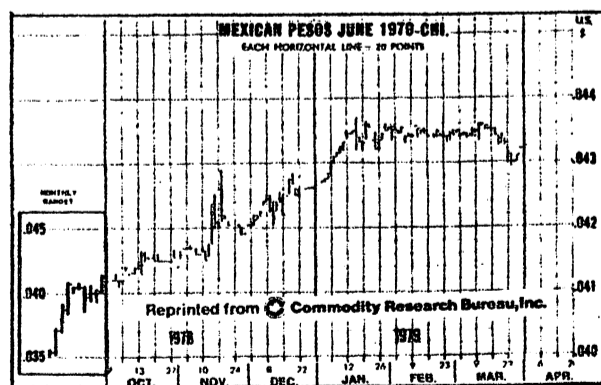
Stand aside. Should the Yen reach the neighborhood of 45.50 (¥220 to the dollar) we would advise establishing long positions.

MEXICAN PESO

June '79: 43.26
 Sep. '79: 42.85
 Dec. '79: 42.25
 Mar. '80: 41.60
 June '80: 41.20

OPEN INTEREST (MAR. 30): 4,180 VOLUME (MAR. 30): 206
 CONTRACT SIZE : MP1,000,000.00 (APPROX. U.S. 43,000.00)
 MINIMUM FLUCTUATION : .00001 (\$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



Spot : 43.82 Jun. 79: 43.26 Sep. 79: 42.85
 Dec. 79: 42.25 Mar. 80: 41.60 Jun. 80: 41.20

Forward Discounts- Compounded Annual Rates	Jun. 79	Sep. 79	Dec. 79	Mar. 80	Jun. 80
Spot	8.02	5.51	5.63	5.83	5.43
June. 79		3.88	4.84	4.89	5.
Sep. 79			5.80	6.10	5.37
Dec. 79				6.40	5.16
Mar. 80					3.94

MP...

	1977				1978			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Reserve Money ** (Bank of Mexico)	-10.25	12.25	20.51	57.13	63.51	46.54	45.99	...
Currency Outside Banks **	49.02	39.86	23.83	11.47	19.80	...	...	...
Money Supply **	30.40	26.16	21.93	26.00	28.07	...	...	...
Money Supply, S.A. **	30.40	26.17	22.05	25.89	28.07	...	...	...
Demand Deposits **	16.68	18.2	20.90	36.62	36.56	...	...	...
Int'l Reserves (Mln US\$)	1,422	1,439	1,654	1,723	1,766	1,705	1,778	...
Fund Position (Mln US\$)	593	597	595	621	518	396	409	416
W.P.I. **	45.69	50.48	48.50	24.45	17.52	16.36	19.23	16.61
C.P.I. **	29.34	31.67	33.07	23.07	18.60	17.53	17.21	...
Industrial Prod. **	-3.09	+3.15	5.32	9.20	8.47	10.18	10.01	...
Exports -								
Cotton **	104.5	36.26	16.4	-37.04	46.04	n/a	162.04	...
Sugar **	20.56	24.17	-8.33	357.89	-72.87	-34.51	-10.39	...
Coffee **	241.47	112.74	105.35	-33.01	-40.37	-55.90	54.38	...
Shrimps **	204.02	230.00	79.40	-21.53	-25.25	-33.99	-11.90	...
Petroleum **	208.53	159.69	156.75	93.00	123.55	38.12	106.02	...
Gov't Finance -								
Deficit (-)	-5,387	-9,123	-10,780	-29,971	-20,263	-7,490	...	...
Revenue	42,841	49,148	48,008	53,544	52,547	65,540	...	...
Expenditure	48,228	58,271	58,788	83,513	72,837	73,030	...	...

Metals

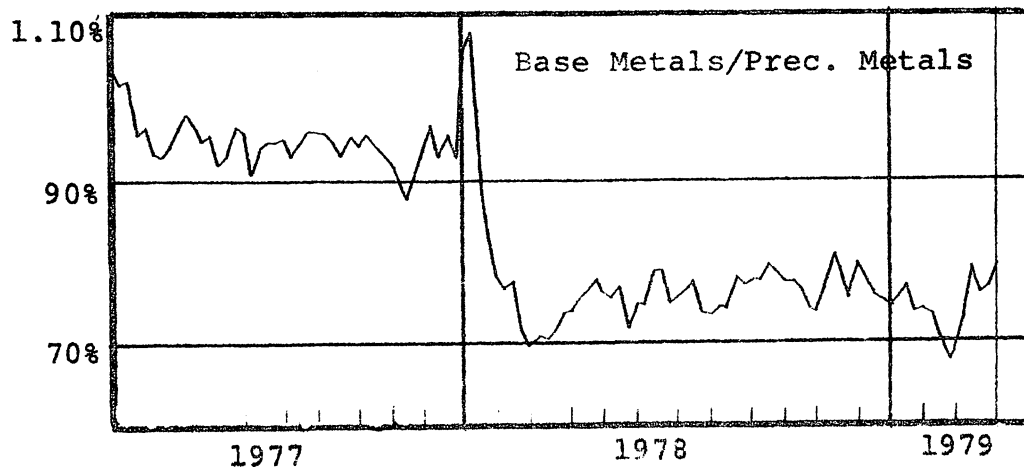
In our concluding remarks last month we stated that " the real sector of the economy continues to look rather resilient ...should velocity decelerate in the near future ... it is likely that it will impact price inflation first, thus making for trendless and choppy commodity markets."

Since March 5th (our last Comments), nearby Gold has fluctuated between \$236.70 and 246.20 ending today at 239.60, up \$2.90/oz; July '79 Silver between 727.30 and 792.00 ending at 761.60 just up 6.6¢/oz; April '79 platinum between 369.70 and 407.00 ending at 386.50, down \$6.30/oz and May '79 Copper between 86.30 and 97.30 ending at 92.10, up 3.35¢/lb. Choppy enough ...?

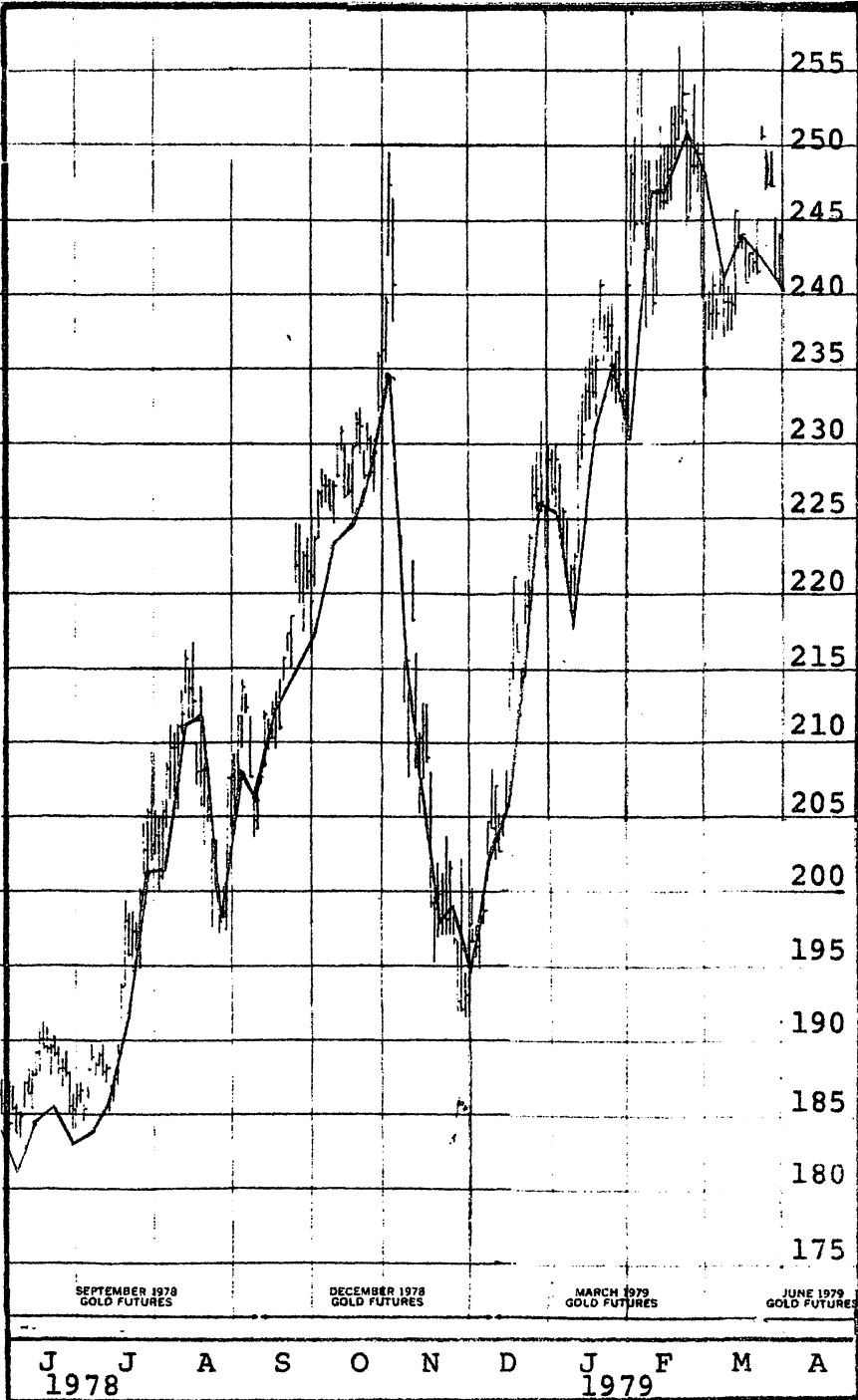
We still believe the intermediate trend is down and we project the following targets :

- June '79 COMEX Gold down to 215-225; place buy stops at 250.80.
- May '79 Silver down to 700-710; place stops at 784.00.
- May '79 Copper down to 81-82; place stops at 97.50.
- July '79 Platinum down to 300; place stops at 410.

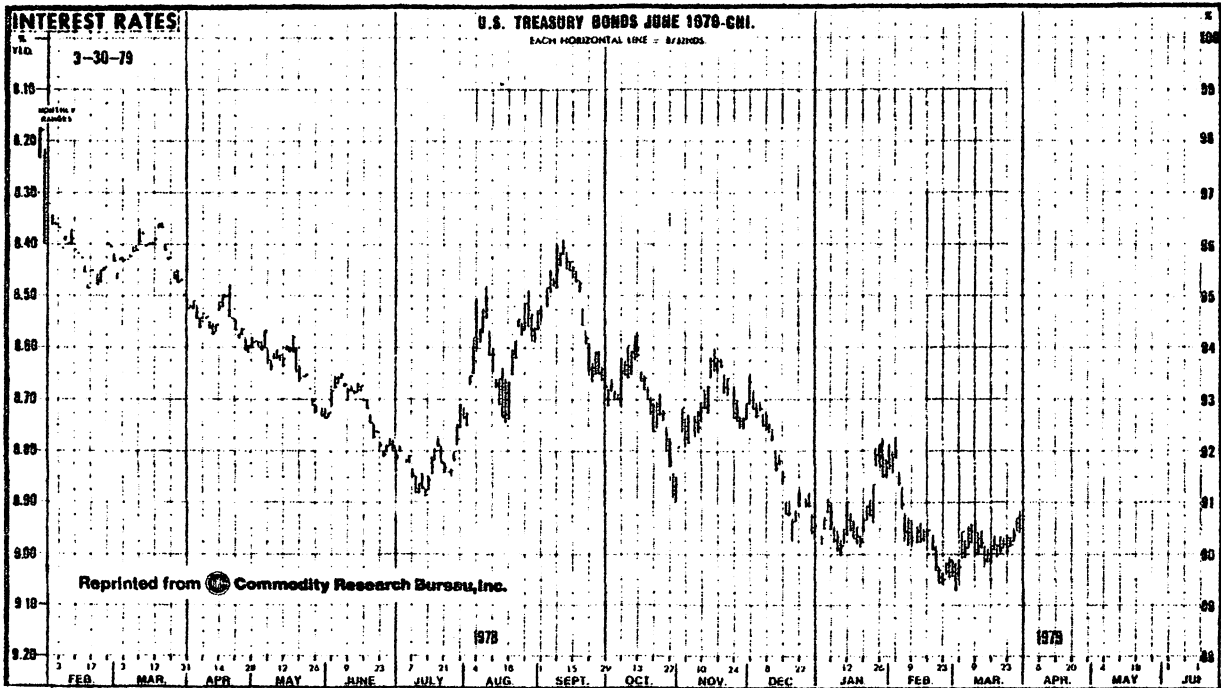
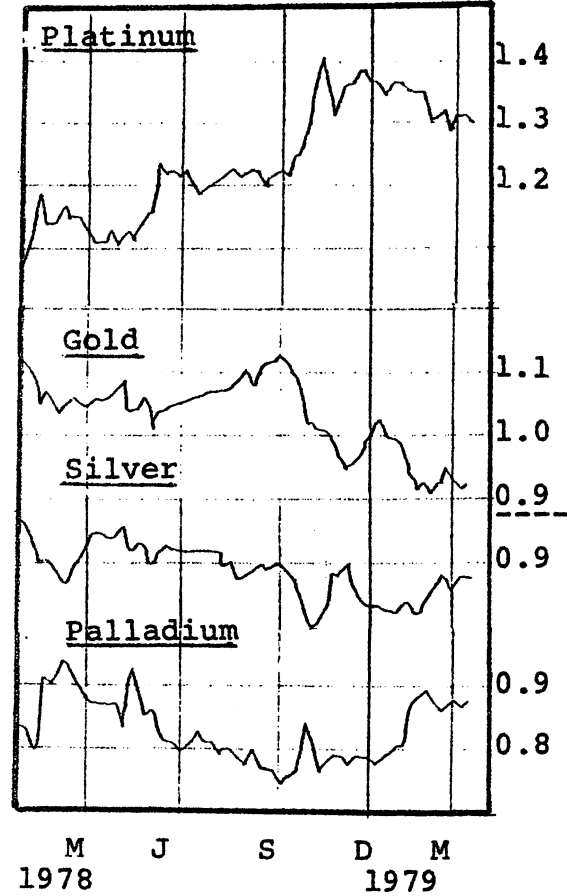
The time factor, however, is critical. Should these markets continue to trade at levels not significantly lower than current ones for the next few weeks, one would have to admit that the present 'trendlessli-ness' is a consolidation for another major advance.



Friday's London PM Gold Fix
Daily Price Range of Gold-IMM



Relative Strength -
Precious Metals



FCI	Mar. 79	Feb. 79	Mar. 78
	255.81	259.95	229.0

-4.14% from month ago
+26.81% from year ago

Albert D. Friedberg

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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.