

# FRIEDBERG'S

## COMMODITY & CURRENCY COMMENTS

347 Bay Street, Suite 1100, Toronto, Ontario M5H 2R7

Telephone: (416) 364-2700

Cable: Friedco Toronto Telex: 06-23446

Again, too little too late

May 2nd, 1979

The majority of the Governors of the Federal Reserve Board must be blind and deaf. Or else, how could they have missed the signs of a credit explosion? Item. Commercial & Industrial loans on the books of the nation's large banks rose \$7.13 billion over the past eleven weeks for a 26.3% annual growth rate. Item. Commercial paper outstanding soared \$5.6 billion over the past six weeks alone to a record \$94.32 billion. That represents a sizzling annual growth rate of 54.7%. Item. The atrophied M1, unadjusted for the ATS phenomenon, has grown at an annual rate of 9.4% in the past four weeks, well above that finely tuned target of 1.5% - 8% annual growth rate (target traders must suffer from repeated strokes.) Item. Fed Chairman G. William Miller had vowed publicly, less than two weeks ago that he would keep monetary policy unchanged (i.e. a 10% Fed Funds rate). He or his trading-desk may not have heard this momentous declaration for yesterday reserves were being drained at 10 1/16% & supplied at 10 3/8%.

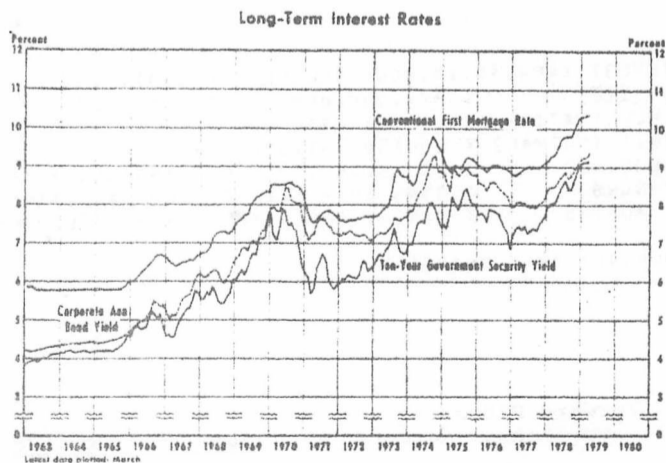
As reported last month, Money Market Certificates are providing an almost unexhaustible source of credit supply for the commercial banking system. In the three months to March, MMC's increased a staggering \$19 billion, doubling the outstanding amount. New banking gimmicks are already outdating our reliable Money Supply proxy, Deposits Subject to Reserve Requirements (see Table). RP operations, whereby a bank sells Treasury securities to a money market investor & commits itself to repurchase it a short time later at a higher price, do not absorb reserves, thus allowing Money Supply growth to go by undetected.

In short, credit is still too plentiful and it will remain so until nominal rates of interest rise above the expected rate of inflation.

The 1/4% tightening of Fed Funds pales in comparison to the negative interest gap of anywhere between 1/2% and 3%.

There is no credit crunch. Recession will not be brought about by the present 'restrictive' monetary policy. The boom is alive and well.

Once again, too little, too late.



FRIEDBERG  
MERCANTILE  
GROUP

U.S. Interest Rates Futures

Despite the recent sharp drop in Interest Rates Futures such as GNMA's & Treasury Bonds (& the consequent increase in rates), the bear market has still a long way to go.

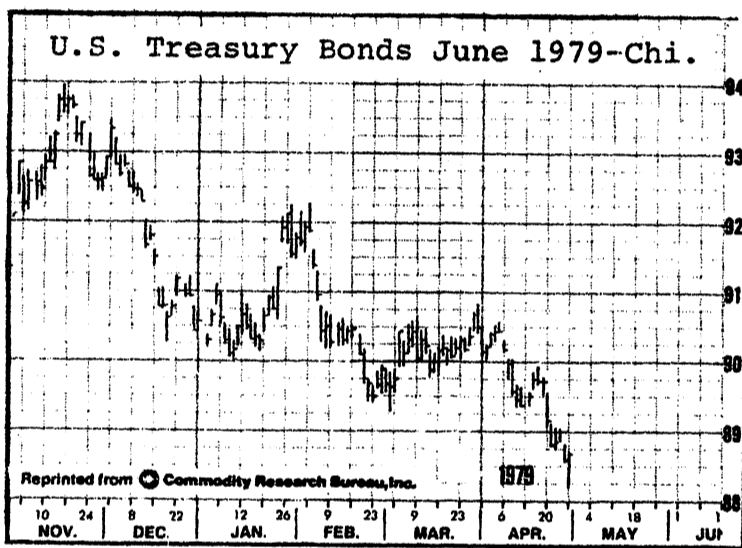
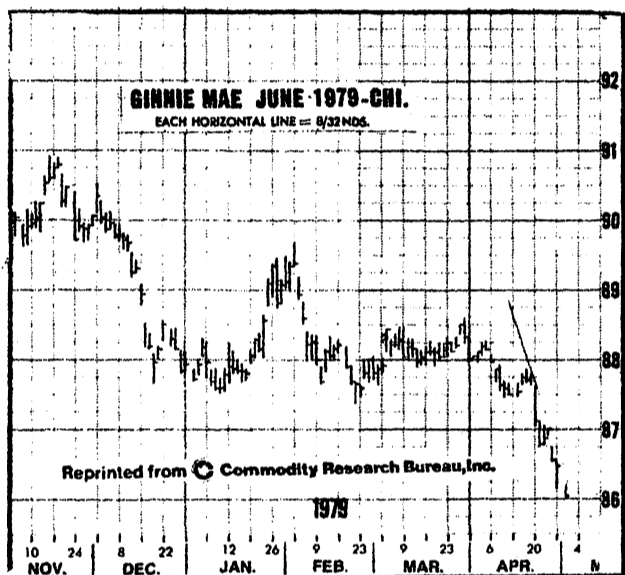
Remain firmly short, adding on rallies of 32/32 to 48/32 points from any lows. Lower stops to 88 20/32 basis June '79, close only.

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    | 7.45    | 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    | 8.26    | 6.98    | 7.88      |
| FEB. 79    | 1.83    | 5.72    | 7.30      |
| MAR. 79(P) | -0.13   | 3.15    | 6.06      |

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

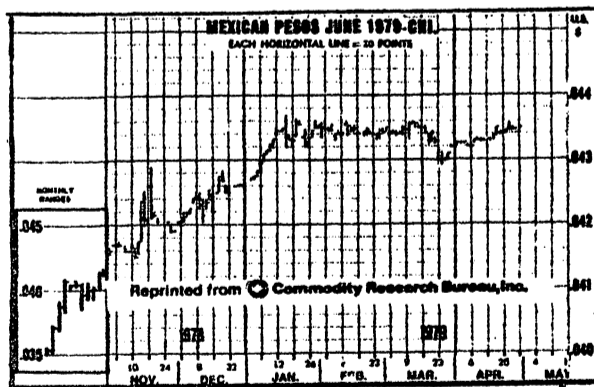
| GNMA   | Settle | Yield  | US Treasury Bonds |       |       |
|--------|--------|--------|-------------------|-------|-------|
| June   | 86-03  | 10.046 | June              | 88-11 | 9.294 |
| Sept   | 86-02  | 10.051 | Sept              | 88-18 | 9.267 |
| Dec    | 86-06  | 10.030 | Dec               | 88-25 | 9.240 |
| Mar 80 | 86-07  | 10.025 | Mar 80            | 88-31 | 9.218 |
| June   | 86-07  | 10.025 | June              | 88-30 | 9.221 |
| Sept   | 86-04  | 10.041 | Sept              | 88-30 | 9.221 |
| Dec    | 86-04  | 10.041 | Dec               | 88-30 | 9.221 |
| Mar 81 | 86-02  | 10.051 | Mar 81            | 88-30 | 9.221 |
| June   | 85-29  | 10.077 | June              | 88-29 | 9.225 |
| Sept   | 85-26  | 10.093 | Sept              | 88-30 | 9.221 |
| Dec.   | 85-24  | 10.103 | Dec               | 88-29 | 9.225 |



**MEXICAN PESO**

OPEN INTEREST (APR.30): 4,506 VOLUME (APR.30): 111  
 CONTRACT SIZE : MP1,000,000.00 (APPROX. U.S. 43,500.00)  
 MINIMUM FLUCTUATION : .00001 (\$10.00)  
 DAILY LIMIT (NORMAL) : .00150 (\$1,500.00)  
 MARGIN REQUIRED : US \$6,000.00 COMMISSIONS : \$50.00  
 TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)  
 DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

\*\* YEAR-OVER-YEAR % CHANGE



| Forward Discounts<br>Comp. Annual Rates | June 79 | Sep. 79 | Dec. 79 | Mar. 80 | June 80 |
|---|---------|---------|---------|---------|---------|
| Spot                                    | 6.04    | 5.83    | 5.41    | 5.79    | 5.19    |
| June 79                                 |         | 5.71    | 5.26    | 5.75    | 5.07    |
| Sep. 79                                 |         |         | 4.80    | 5.79    | 4.84    |
| Dec. 79                                 |         |         |         | 6.78    | 4.88    |
| Mar. 79                                 |         |         |         |         | 3.03    |

MEXICAN INFLATION - The Central Bank said Mexico's inflation for the 1st Qtr 1979 rose 6.2% compared with 4.6% for the same period a year ago. Inflation in March rose 1.3% against 1.4% in Feb. and 3.5% in Jan., bringing the increase during the past 12 months to 17.8% compared with 17.6% for the 12 months to March 1978.

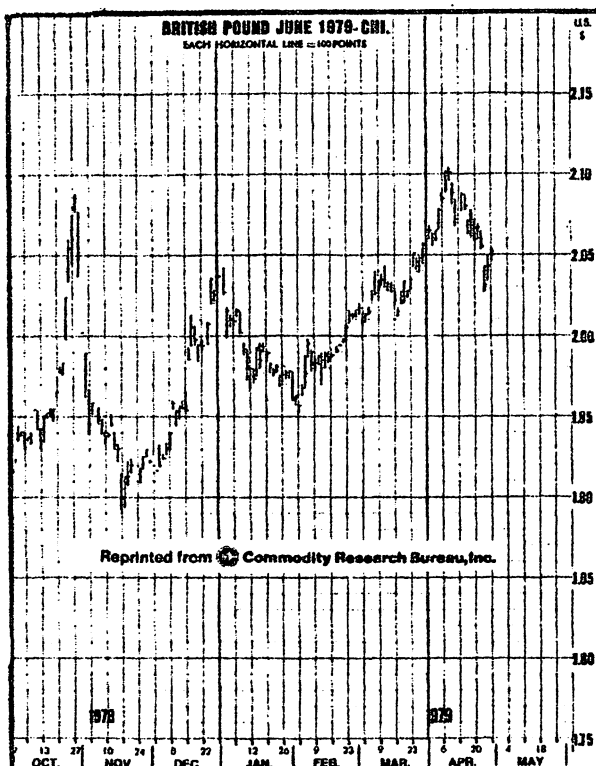
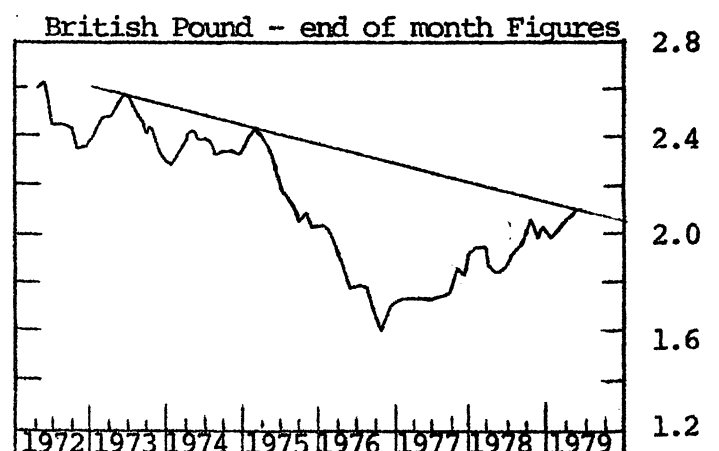
\*\*\* Stand aside. \*\*\*

# BRITISH POUND

After having reached the upper level of our target at 2.10, Sterling eased off to 2.0450 basis Spot, and has currently recovered to 2.0675. Fluctuations have been erratic, paralleling the rise fall and rise of Tory fortunes as evidenced by various political polling groups. While results of tomorrow's election are still uncertain, sentiment leans towards a narrow Tory victory. Nevertheless, the party may be over for some time to allow for the promised Tory Nirvana to take effect. It is more than likely that a retrenchment or consolidation period will follow, in which case Sterling may follow partially or entirely the course of the DM. This downside drag is supported by a technical observation: Sterling is now bumping against a formidable long term downtrend (see chart).

Remain sidelined. Buy Sterling only on a rise above 2.1050 basis Spot, at least two weeks after the post-election euphoria.

June 79: 206.45  
 Sep. 79: 206.20  
 Dec. 79: 205.60  
 Mar. 80: 205.20



|                       | JAN. 79 | FEB. 79 | MAR. 79 | MAR. 78 |
|-----------------------|---------|---------|---------|---------|
| RESERVES (BLN U.S.\$) | 16.26   | 16.62   | 21.95   | 20.32   |
| RETAIL PRICE INDEX ** | 9.34    | 9.60    | 9.80    | 9.10    |
| RETAIL SALES INDEX ** | 4.48    | 4.40    | 3.27    | 3.78    |
| W.P.I. **             | 7.75    | 8.39    | 8.54    | 12.09   |
| UNEMPLOYMENT RATE     | 5.6     | 5.7     | 5.7     | 5.9     |

|        | 1979   |         |         |         | 1978    |
|--------|--------|---------|---------|---------|---------|
|        | APR. 6 | APR. 12 | APR. 20 | APR. 27 | APR. 27 |
| 1 MO.  | 10 7/8 | 12      | 11 1/2  | 12      | 10 3/8  |
| 3 MO.  | 10 3/4 | 11 3/4  | 11 3/4  | 12      | 10 3/8  |
| 6 MO.  | 10 5/8 | 11 3/4  | 11 3/4  | 12      | 10 1/2  |
| 12 MO. | 11 1/4 | 11 7/16 | 11 5/8  | 12 1/8  | 10 1/8  |

OPEN INTEREST (APR. 30/79): 3,588 DAILY VOLUME (APR. 30/79): 861  
 CONTRACT SIZE : 8P 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

## UK Economic Indicators

|          | Visible Balance | Current Balance | Oil Balance | M1*  | M3*  | DCE    | MLR    | Foods Index |
|----------|-----------------|-----------------|-------------|------|------|--------|--------|-------------|
|          | (£M)            | (£M)            | (£M)        | %    | %    | (£M)   | %      | 1974=100    |
| 1978     |                 |                 |             |      |      |        |        |             |
| 1st Qtr. | -590            | -361            | -621        | 24.3 | 23.8 | +1,811 | 6 1/2  | 197.3       |
| 2nd Qtr. | -173            | +135            | -414        | 8.5  | 15.7 | +2,852 | 10     | 203.8       |
| 3rd Qtr. | -365            | -49             | -501        | 16.8 | 5.5  | + 517  | 10     | 206.2       |
| 4th Qtr. | - 1             | +359            | -480        | 9.7  | 9.7  | +1,523 | 12 1/2 | 208.0       |
| Nov.     | -108            | + 12            | -162        | 12.1 | 10.6 | + 143  | 12 1/2 | 207.9       |
| Dec.     | + 67            | +187            | -183        | 9.7  | 9.7  | + 826  | 12 1/2 | 210.5       |
| 1979     |                 |                 |             |      |      |        |        |             |
| Jan.     | -119            | + 1             | - 60        | 13.8 | 16.5 | + 896  | 12 1/2 | 217.5       |
| Feb.     | n/a             | n/a             | n/a         | 21.5 | 20.3 | +1,068 | 14     | 218.5       |
| Mar.     | n/a             | n/a             | n/a         | 14.7 | 12.0 | - 262  | 13     | 220.2       |
| 1st Qtr. |                 |                 |             | 14.7 | 12.0 | +1,702 | 13     | 218.8       |

Source: Financial Times

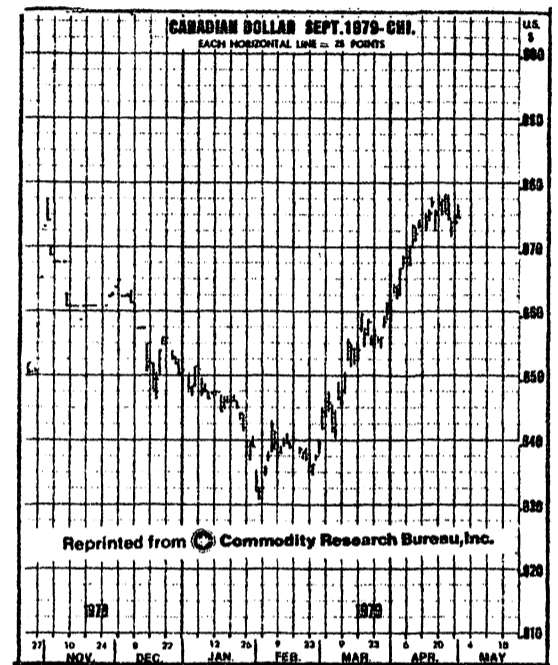
# CANADIAN DOLLAR

|   | JAN.79 | FEB.79 | MAR.79 | MAR.78 |
|---|--------|--------|--------|--------|
| BALANCE OF TRADE (MLN \$)               |        |        |        |        |
| JAN=MAR.78:+1,291                       | +386   | +146   | N/A    | +771   |
| JAN=MAR.79: N/A                         |        |        |        |        |
| GENERAL BANK LOANS**                    | 14.14  | 14.34  | 15.60  | 10.58  |
| MONEY SUPPLY **                         |        |        |        |        |
| M1                                      | 7.48R  | 8.95R  | 10.21  | 8.85   |
| M1B                                     | 6.16R  | 5.83R  | 4.04   | 8.70   |
| M2                                      | 13.46R | 13.95R | 13.57  | 9.80   |
| M3                                      | 19.57R | 20.14R | 18.36  | 12.23  |
| CURRENCY PLUS ALL DEPOSIT LIABILITIES** | 15.9   | 17.6   | N/A    | 11.6   |
| INT'L RESERVES(BLN U.S.) (APR.79: 5.14) | 4.4    | 4.11   | 5.42   | 4.0    |
| C.P.I.(ALL ITEMS)**                     | 8.9    | 9.18   | 9.2    | 8.79   |
| FOOD PRICE INDEX**                      | 14.09  | 16.11  | 17.4   | 14.71  |
| UNEMPLOYMENT RATE S.A.                  | 8.1    | 7.9    | 7.9    | 8.6    |
| N.S.A.                                  | 9.1    | 8.8    | 8.9    | 9.7    |

June 79: 87.48  
 Sep. 79: 87.51  
 Dec. 79: 87.68  
 Mar. 80: 87.70

| EURO DEPOSIT % | 1979     |          |          |          | 1978    |
|----------------|----------|----------|----------|----------|---------|
|                | APR. 6   | APR.12   | APR.20   | APR.27   | APR.27  |
| 1 MO.          | 11.      | 11 1/8   | 10 15/16 | 11 1/8   | 7 15/16 |
| 3 MO.          | 11.      | 11 3/16  | 11.      | 11 1/8   | 7 15/16 |
| 6 MO.          | 10 15/16 | 11 1/8   | 10 15/16 | 10 15/16 | 8 5/16  |
| 12 MO.         | 10 3/16  | 10 15/16 | 10 3/4   | 10 13/16 | 8 13/16 |

OPEN INTEREST(APR.30): 7,158 VOLUME(APR.30): 1,445  
 CONTRACT SIZE : CD 100,000.00 (APPROX. U.S.\$ 87,500)  
 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

A sharp acceleration of inflation and a continued deterioration of the Current Account should begin to weaken materially the CD\$. (see enclosed analysis)

Sell Sept. '79 CD\$ at market. Add to short positions if a minority government, regardless of which party forms it, is elected.

# FRENCH FRANC

|  | JAN. 79 | FEB. 79 | MAR.79 | MAR. 78 |
|--|---------|---------|--------|---------|
| BALANCE OF TRADE (MLN FFR)               |         |         |        |         |
| JAN=MAR.78:-600                          | + 51    | - 9     | +1,200 | +1,190  |
| JAN=MAR.79:+1,242                        |         |         |        |         |
| NET CHANGE OF FOREIGN EXCHANGE ASSETS ** | 27.20   | 29.85   | 30.43  | 15.11   |
| RETAIL PRICE INDEX**                     | 10.19   | 10.12   | 10.13  | 9.20    |

June 79: 23.10  
 Sep. 79: 23.06

| EURO DEPOSIT % | 1979   |         |        |        | 1978    |
|----------------|--------|---------|--------|--------|---------|
|                | APR. 6 | APR.12  | APR.20 | APR.27 | APR.27  |
| 1 MO.          | 7 1/4  | 7 1/2   | 8.     | 8 3/4  | 8 7/8   |
| 3 MO.          | 7 7/8  | 8 1/8   | 8 3/8  | 8 3/4  | 9 3/8   |
| 6 MO.          | 8 9/16 | 8 13/16 | 8 7/8  | 9 1/4  | 9 3/4   |
| 12 MO.         | 9 1/8  | 9 3/8   | 9 3/8  | 9 1/4  | 10 7/16 |

\*\*\* Looks lower. \*\*\*

WEEKLY RESERVES  
 GOLD & CONV. CURRENCY  
 (MLN FFR) 104,639(29/3) 104,841(6/4) 105,182(12/4) 105,280(19/4)

OPEN INTEREST (APR.30): 9 VOLUME(APR.30): 0  
 CONTRACT SIZE : FR 250,000.00 (APPROX. U.S.\$57,000.00 )  
 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

# DEUTSCHE MARK

June 79: 52.92 Sep. 79: 53.58 Dec. 79: 54.10 Mar. 80: 54.65

|                                 | JAN. 79 | FEB. 79 | MAR. 79 | MAR. 78 |         |
|---------------------------------|---------|---------|---------|---------|---------|
| BALANCE OF TRADE (MLN MARKS)    |         |         |         |         |         |
| JAN-MAR.78: +8,680              | 2,050   | 2,400   | 3,400   | 4,180   |         |
| JAN-MAR.79: +7,850              |         |         |         |         |         |
| BALANCE OF PAYMENTS (BLN MARKS) |         |         |         |         |         |
| CURRENT ACCT.                   |         |         |         |         |         |
| JAN-MAR.78: +3,230              | 0.2     | 0.89    | 1.9     | 2.9     |         |
| JAN-MAR.79: +2,000              |         |         |         |         |         |
| MONEY SUPPLY ** M3              | 9.91    | 10.92   | N/A     | 10.05   |         |
| W.P.I.**                        | 1.18    | 3.07    | 4.83    | 3.1     |         |
| COST OF LIVING INDEX**          | 2.83    | 2.95    | 3.27    | 4.9     |         |
| UNEMPLOYMENT RATE               | 5.1     | 5.0     | 4.2     | 4.9     |         |
| EURO DEPOSIT %                  |         |         |         |         |         |
|                                 | 1979    |         |         |         | 1978    |
|                                 | APR. 6  | APR. 12 | APR. 20 | APR. 27 | APR. 27 |
| 1 MO.                           | 5 3/16  | 5 3/16  | 5 1/4   | 5 3/16  | 3 1/2   |
| 3 MO.                           | 5 1/4   | 5 5/16  | 5 1/2   | 5 1/2   | 3 1/2   |
| 6 MO.                           | 5 1/2   | 5 7/16  | 5 13/16 | 6 1/16  | 3 9/16  |
| 12 MO.                          | 5 9/16  | 5 11/16 | 5 15/16 | 6 1/2   | 3 9/16  |

WEEKLY RESERVES  
NET MONETARY  
(BLN MARKS) 91.5(30/3) 90.2 (6/4) 89.6(13/4) 91.3(23/4)

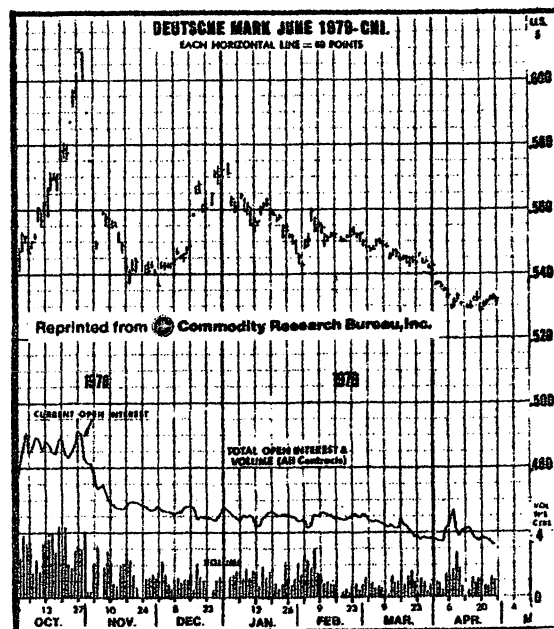
OPEN INTEREST (APR.30): 3,578 VOLUME (APR.30): 1,018  
CONTRACT SIZE : DM 125,000.00 (APPROX. U.S.66,000.00 )  
MINIMUM FLUCTUATION : .00010 (\$12.50)  
DAILY LIMIT (NORMAL) : .01000 (\$1,250.00)  
MARGIN REQUIRED : US \$5,500.00 COMMISSIONS : \$60.00  
TRADING HOURS : 8:45 AM - 1:10 PM (CHICAGO TIME)  
DELIVERY MONTHS : MARCH, JUNE, SEPTEMBER, DECEMBER

\*\* YEAR-OVER-YEAR % CHANGE.

Remain short and lower stops to 54.00 basis Spot.

The long Dec. '79/ short Dec. '79 SFr is beginning to narrow, mostly a result of a narrowing of the forward SFr differential.

Hold spreads.



# SWISS FRANC

|                            | JAN. 79 | FEB. 79 | MAR. 79 | MAR. 78 |
|----------------------------|---------|---------|---------|---------|
| BALANCE OF TRADE (MLN SFR) |         |         |         |         |
| JAN-MAR.78: -486           | -186    | -355    | -321    | -324.5  |
| JAN-MAR.79: -862           |         |         |         |         |
| W.P.I.**                   | -1.17   | +0.5    | 1.11    | -3.5    |
| UNEMPLOYMENT RATE          | 0.4     | 0.6     | 0.5     | 0.5     |

|                |        |         |         |         |         |
|----------------|--------|---------|---------|---------|---------|
| EURO DEPOSIT % |        |         |         |         |         |
|                | 1979   |         |         |         | 1978    |
|                | APR. 6 | APR. 12 | APR. 20 | APR. 27 | APR. 27 |
| 1 MO.          | 11/16  | 7/8     | 1 3/16  | 1 5/16  | 3/4     |
| 3 MO.          | 3/4    | 1 1/16  | 1 5/16  | 1 5/8   | 1 1/16  |
| 6 MO.          | 1 3/8  | 1 13/16 | 2 1/16  | 2 7/16  | 1 7/16  |
| 12 MO.         | 1 7/8  | 2 3/16  | 2 5/16  | 2 3/4   | 1 5/8   |

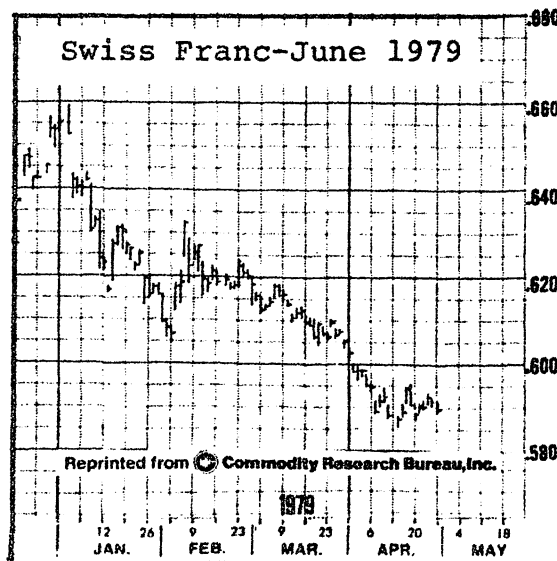
WEEKLY RESERVES  
(BLN SFR) 27.95(30/3) 24.76(6/4) 23.42(12/4) 22.53(23/4)

OPEN INTEREST (APR.30): 6,232 VOLUME (APR.30): 1,964  
CONTRACT SIZE : SF 125,000.00 (APPROX. U.S. 72,500 )  
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 bear market dating from Nov. 1/78 is intact. Short sellers are being paid roughly 10 pts per week, not an inconsiderable amount.

Remain short, lowering stops to 61.25 basis Spot (from last month's 62.75), close only.

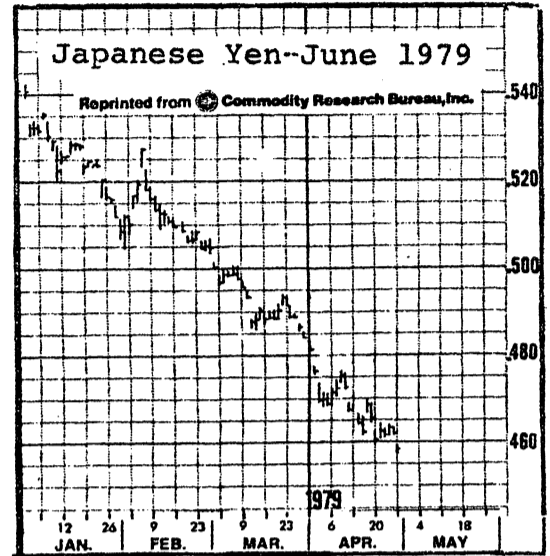


June 79: 58.62 Dec. 79: 61.05  
Sep. 79: 59.95 Mar. 80: 62.10

# JAPANESE YEN

|  | JAN. 79                 | FEB. 79 | MAR. 79 | MAR. 78 |
|--|-------------------------|---------|---------|---------|
| BALANCE OF TRADE (MLN U.S.\$)                            |                         |         |         |         |
| JAN-MAR.78:+5,845  | - 827                   | +1,000  | +1,540  | +3,130  |
| JAN-MAR.79:+1,713  |                         |         |         |         |
| BALANCE OF PAYMENTS (MLN U.S.\$)                         |                         |         |         |         |
| OVERALL ACCOUNT  |                         |         |         |         |
| JAN-MAR.78:+4,942  | -974                    | -760    | -1,570  | +3,140  |
| JAN-MAR.79:-3,304  |                         |         |         |         |
| CURRENT ACCOUNT  | -1,420                  | + 300   | + 596   | N/A     |
| MONEY SUPPLY ** M1                                       | N/A                     | 11.01   | N/A     | 7.22    |
| RESERVES (MLN U.S.\$)                                    | 33,110                  | 32,690  | 28,820  | 29,210  |
| (APR.79:26,110)  |                         |         |         |         |
| C.P.I. **  | 3.17                    | 2.42    | 2.31    | 4.48    |
| W.P.I. **  | -1.61                   | -0.85   | 0.09    | -1.8    |
| UNEMPLOYMENT RATE  | 2.06                    | 1.88    | 2.08    | 2.12    |
| OPEN INTEREST (APR.30): 3,957                            | VOLUME (APR.30) : 1,138 |         |         |         |
| CONTRACT SIZE : YEN 12,500,000.00 (APPROX. US\$ 56,000 ) |                         |         |         |         |
| 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       |                         |         |         |         |

June 79 : 44.71  
 Sep. 79 : 45.26  
 Dec. 79 : 45.75  
 Mar. 80 : 46.20



\*\* YEAR-OVER-YEAR % CHANGE

Despite massive Bank of Japan intervention ( amounting to approx. \$7 billion in the past 3 month alone ), the Yen continues to fall and has recently broken the psychologically important 220 level. This breakdown has taken us by surprise considering the still relatively strong Current Account position and low inflation figures. No doubt, the 3/4% increase in the Discount Rate was insufficient to stem the tide of short term capital outflows.

In view of our over-all bullish posture towards the U.S. \$, we prefer to negate last month's recommendation to buy the Yen at 45.50 basis Spot.

Liquidate recently established long positions. Look to re-enter on move above 45.75 basis Spot, close only.

### Real Annualized Rates of Return on 3 months

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

|                | October '78** | January '79** | February '79** | March '79** | April '79** |
|----------------|---------------|---------------|----------------|-------------|-------------|
| British Pound  | 4.88%         | 4.22%         | 2.6%           | 0.84%       | 1.37%       |
| Canadian \$    | 2.57          | 2.82          | 1.96           | 1.0         | 1.26        |
| Deutsche Marks | 1.85          | 1.30          | 0.508          | 0.935       | 1.62        |
| Swiss Francs   | -0.353        | -1.036        | 0.996          | -3.003      | -2.937      |
| U.S. \$        | 1.25          | 2.08          | 1.41           | -0.028      | -0.525      |

\* 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.

Metals

The critical time factor alluded last month diluted our bearish stand on the metals. In retrospect, and in view of the most recent firming in the precious metals area, one might conclude that March and April were merely pauses in a continuing bull market.

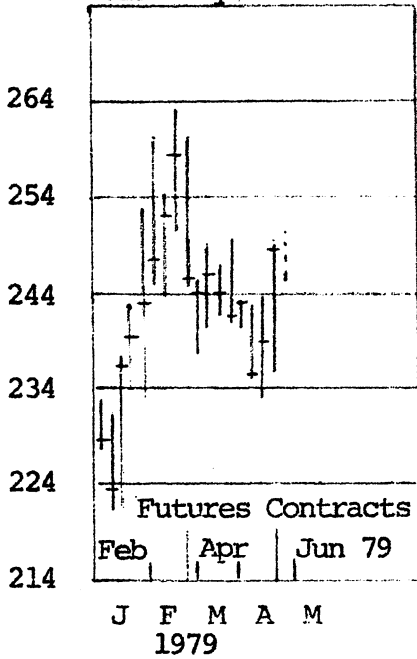
**GOLD** - Having reacted down to 230 basis Spot ( & \$5/oz short of our minimum downside expectation ) the market staged a remarkable recovery coming to within 10 points of the suggested 250.80 buy-in point. Given the significance of this level, we'd prefer to abandon the bearish camp only if and when June '79 Gold closes above it. Long positions, however, are not advisable even when short-covering is necessary.

**SILVER** - Short positions were stopped at 794 basis May '79. Long positions may be initiated on stops above 826 basis July '79. Otherwise, stand aside.

**PLATINUM** - Here again, the 410 level basis July '79 proved a formidable barrier to further advance. Short positions should be covered and new long positions initiated on closes above 413.00 basis July '79.

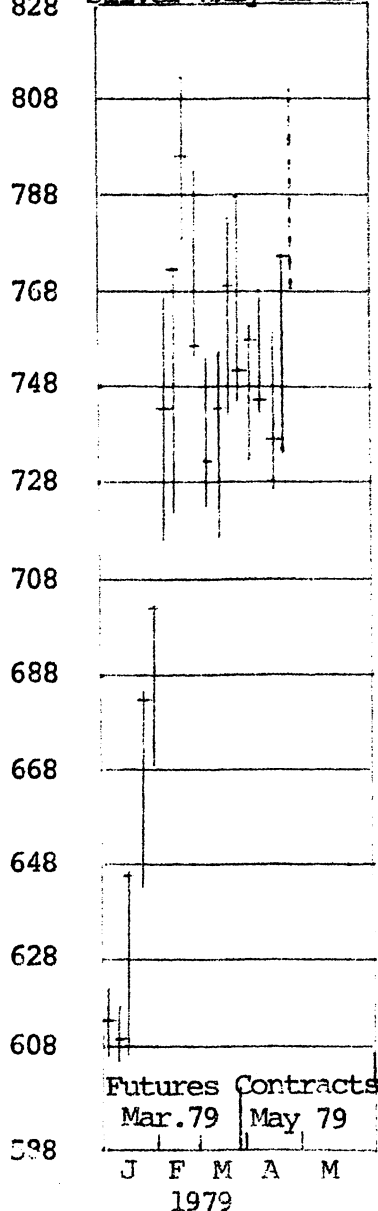
**COPPER** - Although relatively weaker than the precious metals, copper has shown signs of 'bottoming' at the 87-88 ¢/lb Spot May level. Downside exhaustion may be evidenced by the massive 8,500 contract decline in the open commitment. We would now advise probing modestly the long side, but only risking a close below 87.00 basis July '79. Our caution is dictated by the overall bearish pattern of the weekly charts and the inability of nearby deliveries to gain decisively over more deferred ones.

Gold-Wkly Hi Lo Cl

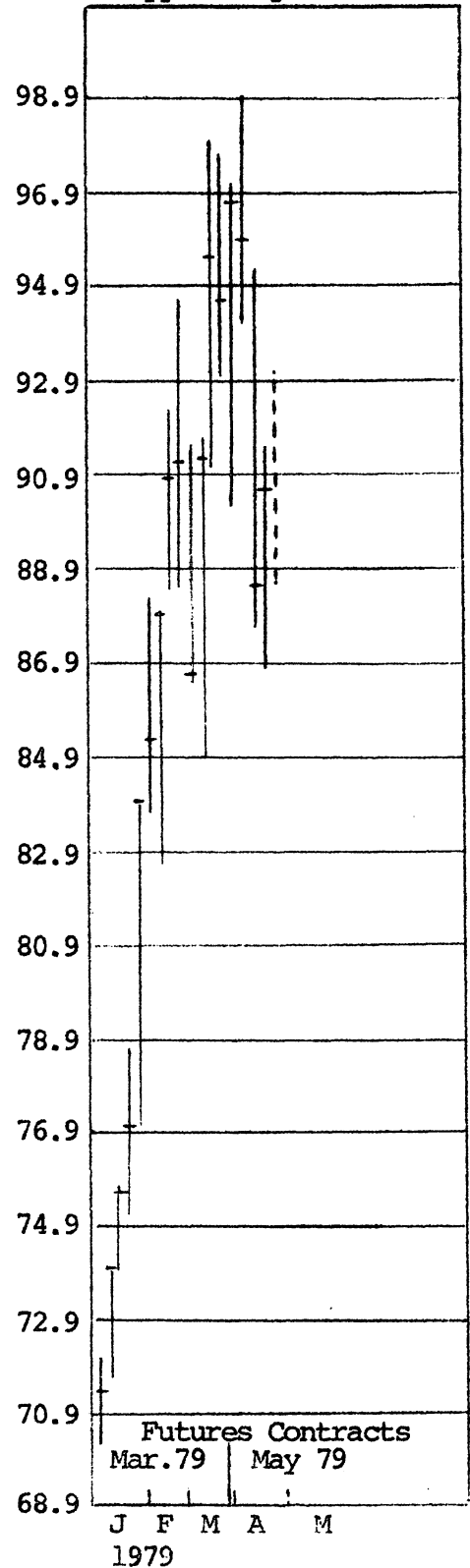


--- early part of this week.

Silver-Wkly Hi Lo Cl



Copper-Wkly Hi Lo Cl

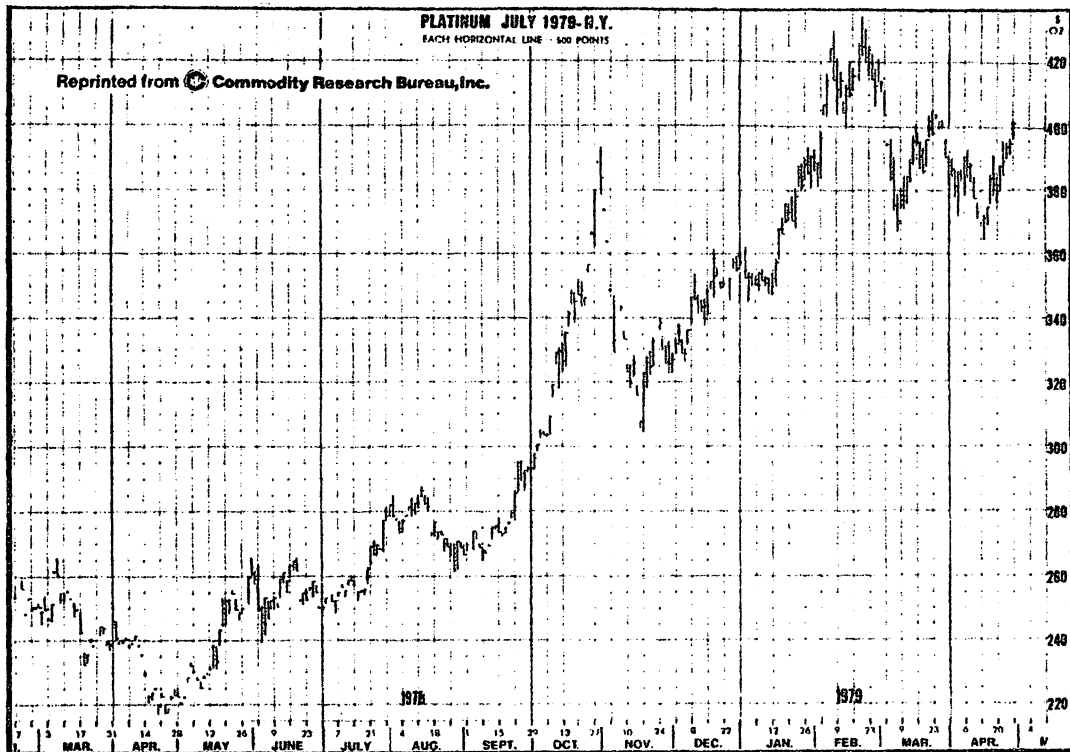
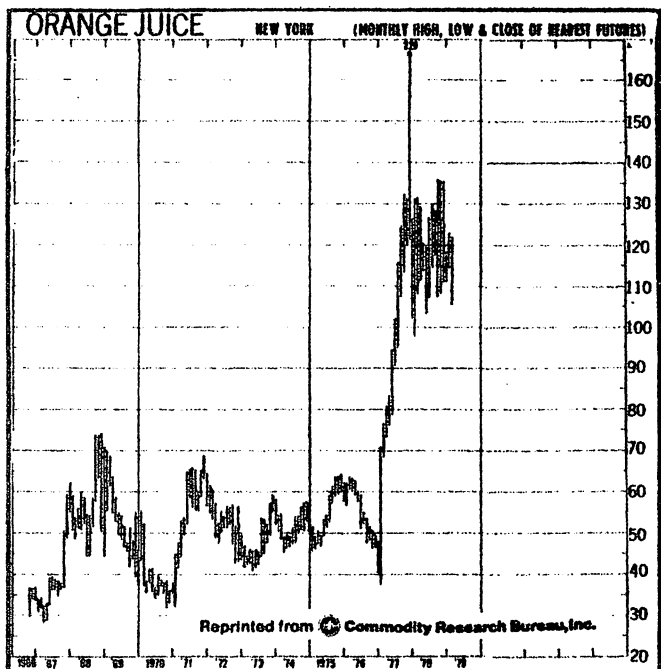
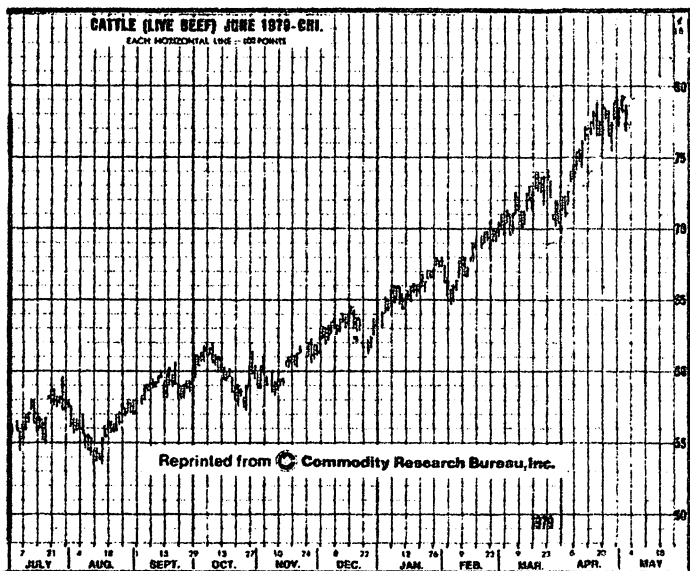


Potpourri -

Illustrating the selectivity of recent markets, we point to the continuing bull markets in Live Cattle, Corn, Lumber, Tin and Wheat and the ongoing bear markets in Cocoa, Sugar and Orange Juice. The latter is noteworthy in that it represents a classical case of supply elasticity. The facts are as follows :

The USDA estimate of 1.33 gallons per box, with an expected output of 168 million boxes, will yield a supply of 233 million gallons, up 26% over last year. The sharp rise in imports (up 198% go date, to 19.02 million gallons) coupled with last year's carryover of 31.2 million gallons and a utilization factor of 80. signifies the possibility of attaining a record total supply of 258 million gallons.

As of April 21st, cumulative movement stands at 74.1 million gallons, up 6.9% over last season, indicating a total movement for the 1978/79 season of 190-195 million gallons. Thus, carryover stocks should amount to 62 million gallons at year-end. Granted the high price elasticity of imports, Spot quotes of FCOJ should fall over the next few months to 70-80¢/lb.



F.C.I.  
 April 1979 : 268.05  
 Mar. 1979 : 255.81  
 April 1978 : 229.79  
 + 4.8% from month ago.  
 +16.6% from year ago.

Albert D. Friedberg

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