FRIEDBERG'S
COMMODITY & CURRENCY COMMENTS

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BLACK MARKETS

June 27th, 1979

The U.S. Administration & its Congress, and not OPEC, is entirely responsible for the present energy problem. By maint·ining "old crude oil" price controls, mandatory gasoline allocation programs and gasoline price lids, the U.S. has literally created a monstruous black market, manifesting itself in :

a) enormous gas lines accross the nation - incidentally, the only country in the world to have them despite the fact that most of the globe, unlike the U.S., does not produce any oil whatsoever.
b) paralyzing truck stoppages, protestations and unnecessary violence
c) a despicable witch-hunt of domestic oil producers : confidential business data is being laid bare and accusations are being hurled at them for "stockpiling, hoarding, speculating, cheating and defrauding" the American public and for not importing processing and refining more crude, without even a modicum of common sense and/or due process of law.
d) a spiralling "free" or "spot" market centered in Rotterdam where panic buyers have had to pay as much as $40/barrel.

By maintaining artificially low oil prices, U.S. demand has soared over the past five years while supply gathering efforts have been diverted to non-controlled and more lucrati offshore areas. The accompanying table is a vivid demonstration of demand elasticity. While U.S. imports have increased approximately 45%, Germany, Japan & Switzerland have maintained or reduced imports despite the fact that they do not produce any meaningful quantities of oil and do not operate rationing schemes. Furthermore, their combined rat of industrial activity has not suffered relative to the rate achieved by the U.S.

Oil Imports (Thousand Metric Tons)

	1974				1975				1976				1977				1978		
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3
U.S.																			
(1)	41485	46465	50954	49923	47090	45124	57901	56071	64474	71875	80668	85830	92755	95774	95979	90148	85668	78938	93822
(2)	33279	29435	27921	31456	28655	19249	22196	21650	18603	15634	19647	16580	25053	15690	18406	15730	19728	18718	17900
Germany																			
(1)	24760	26093	27092	26584	19700	23124	22581	25983	22022	23461	20322	28220	25585	24088	26668	25653	23217	24211	26285
(2)	[illegible]	9165	10631	8819	6697	9810	10325	9423	10532	10291	9863	9460	7840	9555	9817	10686	10561	10568	10986
Japan																			
(1)	51444	61513	59223	57659	55549	53972	55533	58250	55940	55294	56753	61137	61801	56457	57171	61019	61522	53544	53463
(2)	5974	7170	5861	4993	3613	3493	4595	4989	5866	5775	6274	5181	5725	5917	5702	6166	5690	5760	6447
Switzerland																			
(1)	1593	1443	1543	1414	984	1171	1347	1206	1090	1025	1355	1396	1215	1170	1178	1031	1176	919	1043
(2)	1423	2293	2313	1643	1593	2265	2500	1607	1655	2216	2395	2207	1556	2512	2694	2331	2132	2547	2599

(1) Crude + NGL + Feedstock
(2) Total Products
Source: OECD Quarterly Oil Statistics.

It is unquestionable. Skyrocketing oil prices were not caused by Iranian cutbacks nor by OPEC's exercise of monopolistic muscle nor by the mischievous Seven Sisters. Artificially swollen demand and falling production in the U.S. have, are and will continue to stoke the fires of the great Oil Bull Market.

And now the financial consequences. Having observed that U.S. demand for and supply of energy is relatively inelastic (a result of price controls, as explained earlier), it can be reliably estimated that the U.S. trade deficit will deteriorate pari passu with rising oil prices; each dollar per barrel will mean to the U.S. trade balance a charge of nearly $9 million per day. Since oil prices have already risen an average of $7-8/barrel since December 78, U.S. trade figures, ceteris paribu, will deteriorate $25 billion over the course of 1979.

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It has been adduced that rising oil prices will benefit the U.S. dollar for it will, in the short run, increase the demand for greenbacks to pay for rising U.S. dollar-denominated oil shipments. The $25 billion increase in red ink easily outweighs this bullishly construed but perverse quirk of economical reasoning.

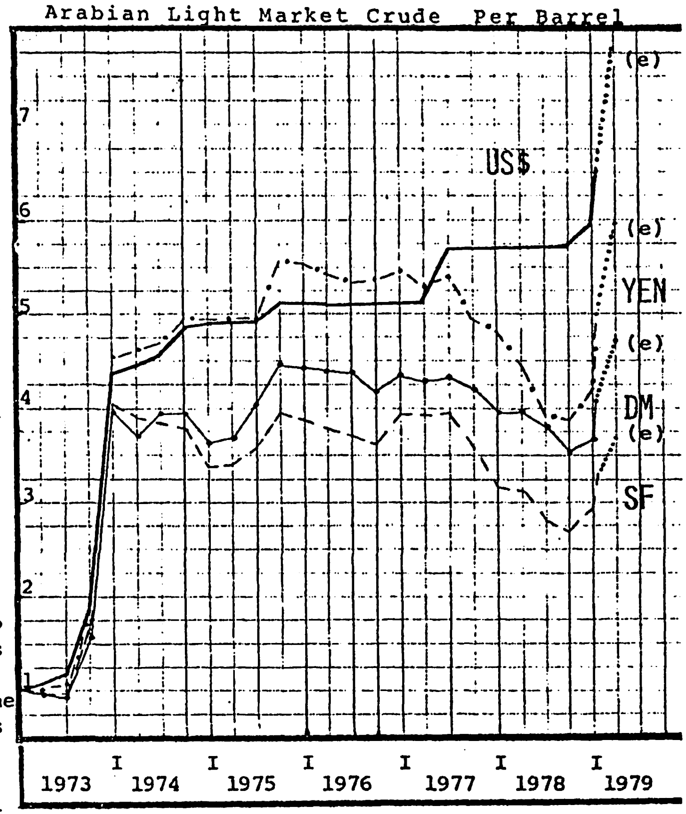
Even the foreign exchange markets, in their collective wisdom, agree that it is solely an American problem. The adjunct chart illustrates rather well this point : with slight variations, oil prices, when denominated in strong currencies, will be seen to have peaked early in 1974 (if SFr), late in 1975 (in DM and Yen).

Any further increases in the dollar price of oil, will, no doubt, be made up in the foreign exchange market.

There is a moralistic overtone to the twin phenomena of causing prices to rise but being the only ones to pay the price. Let us hope that the U.S. Administration and its Congress re-learn basic economic tenets. Should they persist, however, the American public, and only they, will pay the price.

THE PRICE OF OIL

Arabian Light Market Crude Per Barrel



Source : IMF Prepared by the Staffs of FMG
(e) estimated new OPEC price.

GENERAL VIEWS

Weakening economic activity, compounded by gas shortages & the widespread independent truckers' strike, has brought along renewed concern about U.S. monetary policy and the Dollar. For some time now, U.S. interest rates have shown a tendency to sag below actual or anticipated rates of inflation (see accompanying table), a result of a) recessionary expectations & b) a highly accomodative Federal Reserve.

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

	Mar'79	Apr'79	May'79	June'79	Average
British Pound	0.84	1.37	1.295	2.68	1.55
Canadian $	1.0	1.26	0.95	1.61	1.205
Deutsche Marks	0.935	1.62	1.37	2.025	1.488
Swiss Francs	- 3.003	- 2.9375	- 1.588	- 1.083	- 2.153
US$	- 0.028	- 0.525	- 0.908 R	- 0.72	- 0.545
Japanese Yen	3.29	3.61	N/A	N/A	3.45

* 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.
R- Revised information received.

Sparked by oil fears, hot money flows moved accross the exchanges at an incredible speed with the result, that, within ten days, the U.S. dollar lost nearly 5% against the SF and slightly less against the BP and the EMS currencies. In our opinion, the move has just begun.

BRITISH POUND

True to pre-election promises, the Tory gov't of Margaret Thatcher presented a remarkably useful budget. In a dramatic attempt to move up to the Laffer curve's optimum point, Sir Geoffrey Howe offered a substantial shift away from income to expenditure taxation. In the process, and to maintain a relatively unchanged PSBR of Stg. 8.5 billion, he chopped £ 1.5 billion from Public Spending and offered to dispose of relatively large chunks of nationalized companies. To help achieve non-inflationary financing, he raised the MLR by two percentage points and announced a downward revised M3 target of 7-11%, thus throwing his support behind monetary orthodoxy. A partial roll-back of exchange controls and promises of more to come in that area and in the crucial area of taxation were ' ıfficient to attract and whet the appetite of international currency traders.

We believe the medicine will work, despite union opposition. Towards the end of 1979, the UK will be running an inflation rate of not more than 8% per annum, while 6% for 1980 is a strong probability. Sterling will become the darling of currency traders, with the Bank of England unable (and/or unwilling) to stop its advance for fear of creating a bulge in the money supply.

Last month we suggested purchases on a breakout above 210.50 basis Spot. We now advise adding to these positions. Initial targets are set at 225.00. Later this year, and depending on U.S. monetary policy, Sterling may reach 255-260.

	Retail Price Index**	Retail Sales Index**	W.P.I.	Unem-ploym't Rate
Jan.79	9.34	4.48	7.75	5.6
Feb.79	9.60	4.40	8.39	5.7
Mar.79	9.80	3.27	8.54	5.7
Apr.79	10.07	7.31	n/a	5.5
May 79	10.32	4.70	n/a	5.4
May 78	7.65	5.01	9.55	5.7

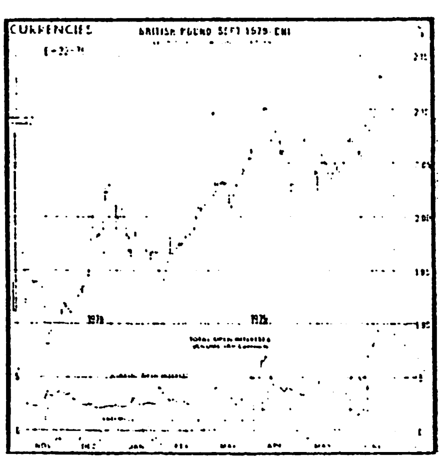
Open Interest(Jun.25/79) : 7,458
Daily Volume(Jun.25/79) : 2,755
Contract Size : Bp25,000.00
Approx. US$: 53,000.00
Minimum Fluctuation : .00050($12.50)
Daily Limit (Normal) : .05000($1,250)
Margin Required : US$ 2,000.00
Commissions : US$ 55.00
Trading Hours(Chicago Time) : 8:23am-1:23pm
Delivery Months : March, June, Sept., Dec.

	Visible Balance (£M)	Current Balance (£M)	Oil Balance (£M)	M1*	M3*	DCE (£M)	Reserves US$bln	MLR %	Food Index	FT Comdty
1978										
1st Qtr.	- 590	-369	-620	24.3	21.8	+1,611	20.63	6 1/2	197.3	238.61
2nd Qtr.	- 173	+208	-414	10.1	15.0	+2,800	16.75	10	[illegible]	242.27
3rd Qtr.	- 367	+154	-501	17.2	8.3	+ 591	[illegible]	[illegible]	206.2	253.74
4th Qtr.	- 39	+450	-480	15.1	13.0	[illegible]	15.77	12 1/2	208.0	257.69
									210.5	
1979										
1st Qtr.	[illegible]	-767	-237	7.2	10.1	+1,672	16.78	13	218.8	268.83
Jan.	- 126	+ 6	- 62	14.6	18.9	+ 881	16.26	12 1/2	217.5	260.63
Feb.	- 766	-635	- 78	17.6	20.6	+1,069	16.62	14	216.7	267.36
Mar.	- 289	-150	- 97	7.2	10.1	- 263	17.45	13	220.2	268.83
Apr.	- 327	-217	-114	16.6	7.2	+ 846	#21.47	12	221.6	277.11
May	- 185	- 75	- 54	12.9	7.9	+ 945	21.53	12	224.0	279.20

* three months' growth at annual rate;
\# Reserves: now revalued annually, new estimates.

Source: Financial Times

Euro Deposits %	Jun.1/79	Jun.8/79	Jun.15/79	Jun.22/79	Jun.23/78
1 Mo.	11 5/8	11 5/8	13 3/4	13 7/8	10 1/8
3 Mo.	11 3/4	11 3/4	13 1/2	13 1/2	11 5/8
6 Mo.	11 5/8	11 7/8	12 7/8	13 1/4	12 1/8
12 Mo.	11 11/16	11 3/4	12 3/4	12 3/4	12 1/2



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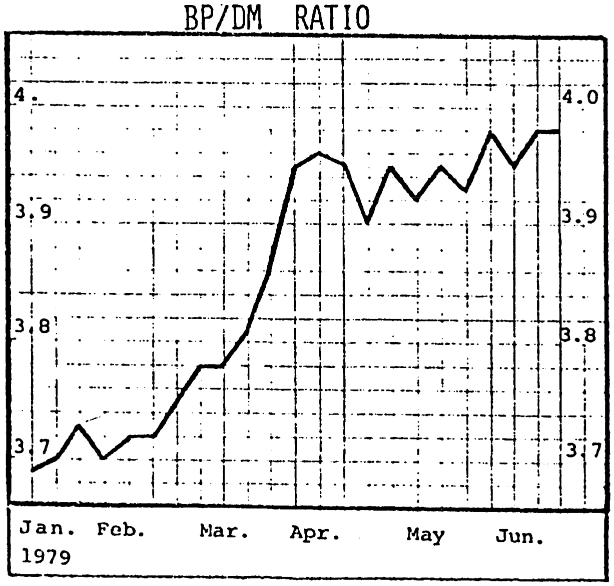
BP/DM RATIO



CANADIAN DOLLAR

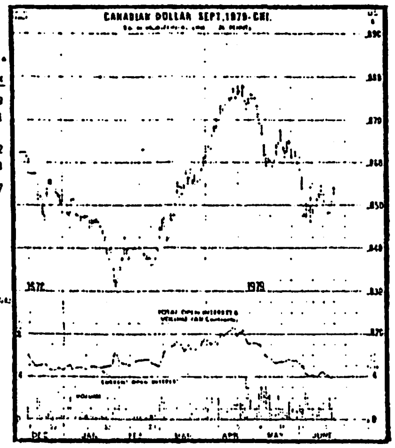
A slight improvement in the US/Canada interest rate differential in favor of the latter,coupled with a determined Bank of Canada stand at the 85¢ level and a perception that energy self sufficiency is a "good thing", helped the CD$ rally to just above 86.10, before retreating (rather sharply) to close today at 85.64.

We remain very bearish and advise adding to short positions at these levels. Lower stops to 86.50 basis Sept. '79.

	Balance of Trade	General** Bank Loans	* Money Supply ** M1	M1B	M2	M3	Total Liabilities**	Int'l Reserves	C.P.I.**	Food* Index
Jan.79	+ 386	14.14	7.48	6.16	13.46	19.57	15.9	4.4	8.9	14.09
Feb.79	+ 146	14.34	8.85	5.83	13.95	20.14	17.6	4.11	9.18	16.11
Mar.79	+ 150	15.60	7.03r	4.04	13.57	18.36	17.3	5.42	9.2	17.4
Apr.79	+ 12	16.55	7.96	5.31	14.36	17.58	n/a	5.14	9.75	16.52
May 79		18.32	8.41	6.18	15.19	20.00	n/a	4.08	9.27	13.38
May 78	+ 309	11.32	10.21	9.48	9.95	11.88	12.05	4.7	9.04	16.87

Open Interest(June 25/79): 5,051 Daily Volume(June 25/79): 2,476 Contract Size: CD$ 100,000.00 (Approx. US$ 87,000.00)
Minimum Fluctuation : .00010 ($10.00)
Daily Limit (Normal): .00750 ($750.00)
Margin Required : US$ 2,000.00 Commissions : US$ 55.00 Trading Hours: 8:21 am - 1:21 pm Chicago Time
Delivery Months : March, June, September, December.

Euro Deposits %	Jun. 1/79	Jun. 8/79	Jun.15/79	Jun.22/79	Jun.23/78
1 Mo.	11 1/8	11 3/16	11.	11.	8.
3 Mo.	11 1/8	11 1/4	11.	11 1/16	8 1/2
6 Mo.	11 1/8	11 3/16	10 15/16	11 1/16	8 7/8
12 Mo.	10 7/8	10 7/8	10 1/2	10 1/2	9 1/8



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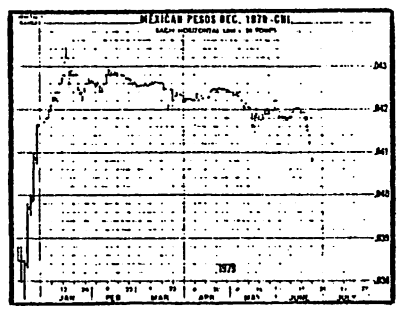
MEXICAN PESO



	Sep.79	Dec.79	Mar.80	Jun.80	Sep.80
	Forward Discounts				
	Comp. Annual Rates				
Spot	19.03	27.13	24.35	21.01	19.88
Sep.79		34.3	26.6	21.6	20.1
Dec.79			19.4	15.7	11.5
Mar.80				12.0	13.8
Jun.80					15.6

As a reaction, perhaps, of spreading civil unrest in Central America and PEMEX's inability to cope with a runaway oil well, the MP fell sharply and allowed us to purchase June '80 at a "proper" discount under Spot (15% per annum). We confess, however, that we are not very comfortable being long and advise taking a very quick profit, if available.

Open Interest(June 25,79) : 4,987 Volume (June 25,79) : 907
Contract Size : MP 1,000,000.00 (Approx. US$ 43,500.00)
Minimum Fluctuation : .00001(US$ 10.00)
Daily Limit (Normal): .00150(US$ 1,500.00)
Margin Required : US$ 4,500.00 Commissions : US$ 55.00
Trading Hours : 8:15 am - 1:17 pm Chicago Time
Delivery Months :March, June, Sept., Dec.

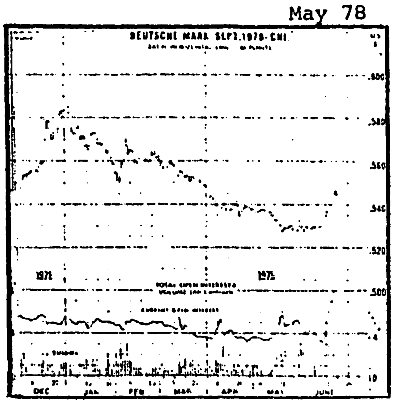
Underscoring our continued presence in the world currency markets, our firm accounted for as much as 15% of the trading volume in Swiss Francs, BP and CD$ over 3 trading sessions (June 13/14/15).

DEUTSCHE MARK JAPANESE YEN SWISS FRANC

Having been stopped out of short Sept. '79 SF at 60.80 (with substantial profits) and already long the Yen, we'd advise joining the bandwagon and favor purchases of BP, SF, Yen & DM, in that particular order.

DM ...

1979	Balance of Trade	Balance of Payments	Money Supply**	W.P.I.**	Cost of Living**	Unemployment Rate
	(Mln Marks)					
Jan.79	2,05[illegible]	200	9.91	1.18	2.83	5.1
Feb.79	2,400	800	10.92	3.07	2.95	5.0
Mar.79	3,400	1,900	11.21	4.83	3.27	4.2
Apr.79	3,330	1,020	10.89	5.79	3.53	3.8
May 79	2,000	Bal.		6.18	3.65	3.4
May 78	3,040	800	10.	-0.7	2.66	4.0

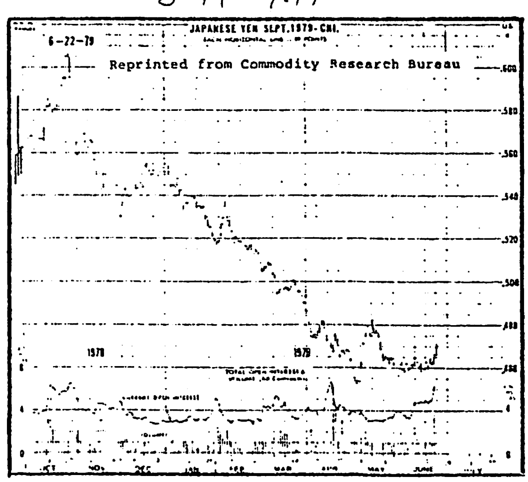


Euro Deposits %	Jun. 1/79	Jun. 8/79	Jun.15/79	Jun.22/79	Jun.23/78
1 Mo.	5 11/16	5 13/16	5 3/4	5 9/16	3 1/2
3 Mo.	6 3/16	6 1/4	6.	5 13/16	3 1/2
6 Mo.	6 7/8	6 7/8	6 9/16	6 1/8	3 5/8
12 Mo.	7.	7 3/16	6 7/8	6 1/16	3 13/16

Open Interest(Jun.25/79): 8,524
Daily Volume(Jun.25/79) : 1,932
Contract Size: DM125,000.00
(Approx. U.S.$ 68,000.00)
Minimum Fluctuation : .00010 ($12.50)
Daily Limit(Normal) : .01000 ($1,250.00)
Margin Required : US$ 4,500.00
Commissions : ~~US$ 55.00~~
Trading Hours: 8:45am-1:10pm Chicago time
Delivery Months: March, June, Sept. Dec.
** Year-over-year % change.

8:19 = 11:19

Weekly Reserves (Net Monetary) Bln Marks
82.1(22/5) 84.5(29/5) 84.4(5/6) 85.0 (12/6)



YEN ...

Open Interest(June25,79): 7,751
Daily Volume (June25,79): 2,719
Contract Size: Yen 12,500,000.00
(Approx. U.S.$ 56,000.00)
Minimum Fluctuation: .0000010($12.50)
Daily Limit(Normal): .0001000($1,250.00)
Margin Required :US$ 4,500.00
Commissions : US$55.00
Trading Hours:8:25am - 1:25pm Chicago time
Delivery Months:March,June,Sept.,Dec.

	Balance of Trade	Balance of Payments Overall Account	Balance of Payments Current Account	Money** Supply	Reserves	W.P.I**	Unemployment
	(mln U.S. $)				(Mln US$)		
Jan.79	-827	- 974	-1,420		33,110	-1.61	2.06
Feb.79	+1,000	- 760	+ 300	11.01	32,690	-0.85	1.88
Mar.79	+1,540	-1,570	+ 596	13.27	28,820	0.09	2.08
Apr.79	+520	-2,970	- 210	18.18	26,110	2.18	
May 79	+ 67	- 750	- 800	n/a	24,190	3.50	
May 78	+1,370	- 113	+ 634	n/a	27,710	-2.09	2.30

** Year-over-year % change

YEN ...

JAPAN'S FOREIGN EXCHANGE CONTROLS are being relaxed through changes in regulations and through legislative proposals designed to change existing laws. A legislative bill recently approved by the cabinet and submitted to the national Diet for approval proposes: lifting existing restrictions on foreign borrowing by Japanese banks; removal of the current limit of 3 million yen on foreign currency deposits of residents with domestic banks; abolishment of restrictions on purchases of foreign securities by Japanese residents, and on purchases of Japanese securities by foreign residents; permission (with only prior registration) for flotation of foreign-currency denominated external bonds by Japanese enterprises, and for flotation of yen-denominated bonds on the Japanese capital market by foreign issuers. The relaxation of existing regulations recently announced by the Ministry of Finance included: lengthening the period for dollar-import financing from the present 140 days to 180 days; elimination of restrictions on advance receipts of payments for exports on deals exceeding $5 million; lifting of the existing requirement that yen funds raised by foreign borrowers in Japan be converted into foreign currencies within one month.

The purpose of the legislative changes providing more freedom for international capital movements is to bring Japanese laws closer to those of other major industrial countries thereby making the yen a truly international currency. The regulatory changes are largely aimed at discouraging capital outflow and encouraging inflows in an apparent effort to bolster the recently sagging exchange rate of the yen on foreign exchange markets. ... Int'l Letter. FRB of Chicago

SF ...

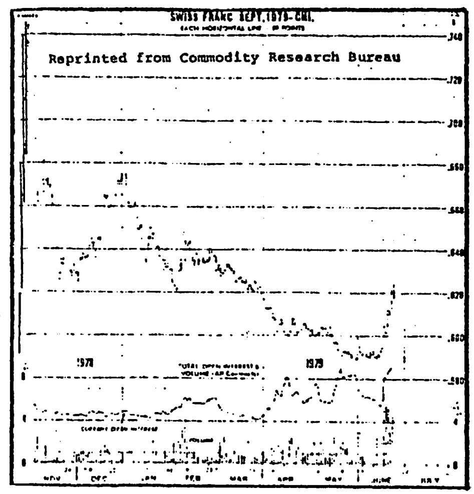
	Balance of Trade (mln SFR)	W.P.I.**	Unemployment
Jan.79	-186	-1.17	0.4
Feb.79	-355	+0.5	0.6
Mar.79	-321	1.11	0.5
Apr.79	-300	2.09	0.4
May 79	-317	3.13	0.4
May 78	-101	-3.68	0.3

** Year-over-year % change

Weekly Reserves (bln SFR)

22.26(23/5) 24.26(31/5) 22.45(5/6)
21.4(15/6) 23.08(22/6)

Euro Deposits %	Jun.1/79	Jun.8/79	Jun.15/79	Jun.22/79	Jun.23/78
1 Mo.	2.	2.	1 5/8	11/16	1 5/16
3 Mo.	2 1/8	2.	1 15/16	1 3/16	1 5/8
6 Mo.	2 15/16	2 3/4	2 5/8	1 5/8	2.
12 Mo.	3 1/4	3.	3.	2 3/16	2 1/8



Open Interest(June 25,79): 9,498
Daily Volume (June 25,79): 3,266
Contract Size: SFr 125,000.00
(Approx. US$ 72,500.00)
Minimum Fluctuation : .00010 ($12.50)
Daily Limit(normal) :.0150 ($ 1,875.)
Margin Required : US$5,000.00
Commissions : US$ 55.00
Trading Hours : 8:15 am -1:15 pm
(Chicago Time)
Delivery Months: Mar,Jun,Sep,Dec.

Switzerland's capital export conversion rule, which obliged foreign borrowers of Swiss francs to convert 50 per cent of the proceeds of their borrowings into foreign currency at the Swiss National Bank, has been lifted with immediate effect, according to an announcement by the Bank. The rule was introduced when the Swiss franc was appreciating strongly; its aim was to reduce the expansionary effect on the monetary base of sales of Swiss francs by the Bank on foreign exchange markets. The lifting of the rule was decided because the Bank had been selling considerable quantities of dollars in order to keep exchange rates stable, and these sales had already resulted in a substantial drop in liquidity in Switzerland. The rule can be reapplied at any time. --- Neue Zürcher Zeitung, June 8 ---

QUOTES ...

As of June 27th, 1979

	Spot	Sep.79	Dec.79	Mar.80	Jun.80	Sep.80
CD $	85.76	85.74	85.81	85.80	85.70	...
BP	216.10	214.20	212.95	211.75	...	...
DM	54.38	54.82	55.33	55.70	56.18	...
FFr	23.46	23.20	23.10	...	...	...
JY	46.30	46.57	46.95	47.55	...	...
SFr	60.50	61.78	63.01	64.30	65.50	...
MP	43.76	42.20	39.20	37.50	36.45	35.15

INTEREST RATE FUTURES

Having moved up further than originally anticipated, we must ask ourselves whether we have overstayed our welcome. Has the interest rate cycle peaked?

We think not. In fact, we think we are very near a bottom. In the first place, short term rates have already dropped as much as 125 basis points (90-day CD's & Commercial Paper) while long-term rates have improved about 50 basis points (U.S.Treasuries), not an inconsiderable move, especially when viewed against the backdrop of a five percentage-points acceleration in the rate of inflation. Secondly, the U.S. dollar has begun to weaken again, leaving the Fed little choice but to procrastinate just a bit longer before the screws are tightened. Conceivably, credit controls could be imposed thus sidestepping any further tightening moves. This alternative, however, would do little to initiate currency reflows. The next step, foreign exchange controls of some sorts, would be a last resort, desperate move and not to be tried until the 1980 election is in full view.

GNMA	*Settle*	*Yield*
Sept	*88-13*	*9.667*
Dec	*88-16*	*9.652*
Mar80	*88-16*	*9.652*
Jun	*88-12*	*9.672*
Sept	*88-05*	*9.708*
Dec	*87-29*	*9.748*
Mar81	*87-22*	*9.784*
Jun	*87-15*	*9.819*
Sept	*87-08*	*9.855*
Dec	*87-01*	*9.891*
Mar	*86-27*	*9.922*

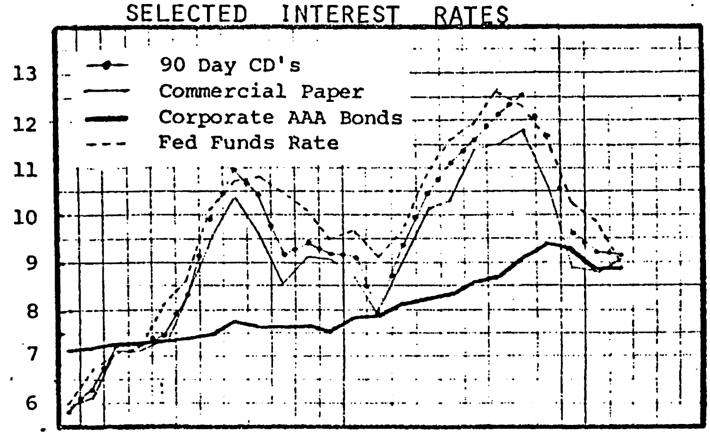
TREASURY BONDS U.S.

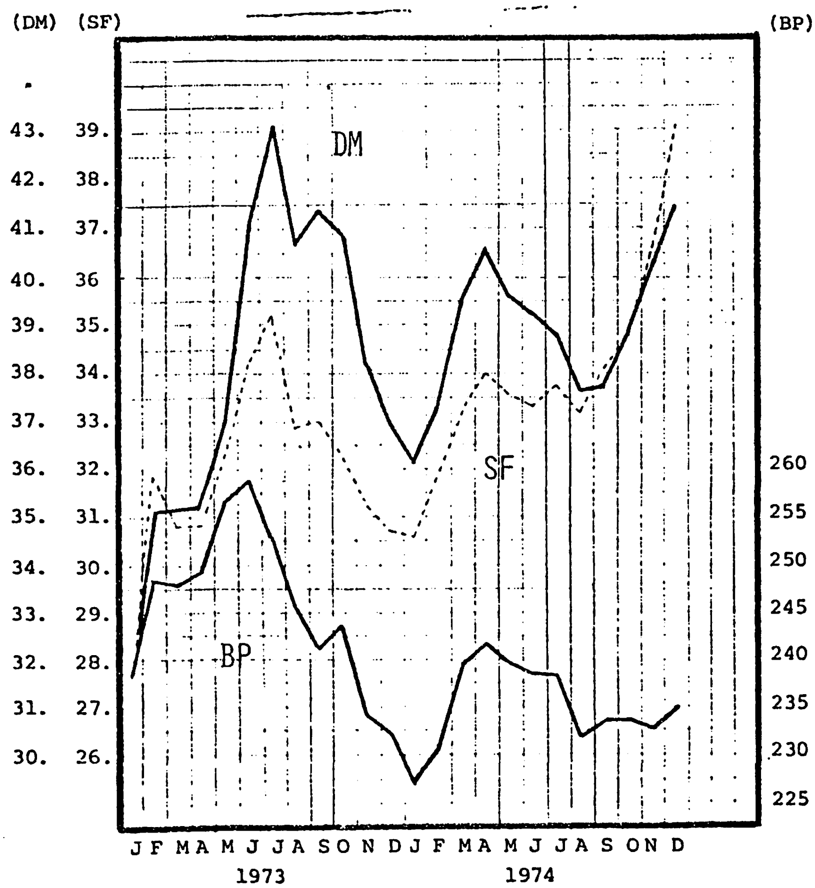
Sept	*92-01*	*8.857*
Dec.	*92-04*	*8.847*
Mar80	*92-05*	*8.843*
Jun	*92-01*	*8.857*
Sept	*91-29*	*8.872*
Dec	*91-21*	*8.900*
Mar81	*91-21*	*8.904*
Jun	*91-17*	*8.915*
Sept	*91-14*	*8.926*
Dec	*91-07*	*8.951*
Mar	*91-06*	*8.955*

TREASURY BILLS

Sept	*91.66*	*8.34*
Dec	*92.13*	*7.87*
Mar80	*92.41*	*7.59*
Jun	*92.43*	*7.57*
Sep	*92.38*	*7.62*
Dec	*92.25*	*7.75*
Mar81	*92.20*	*7.80*
Jun	*92.17*	*7.83*

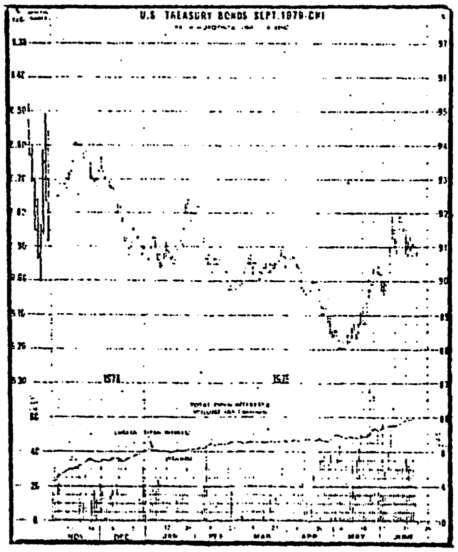
SELECTED INTEREST RATES

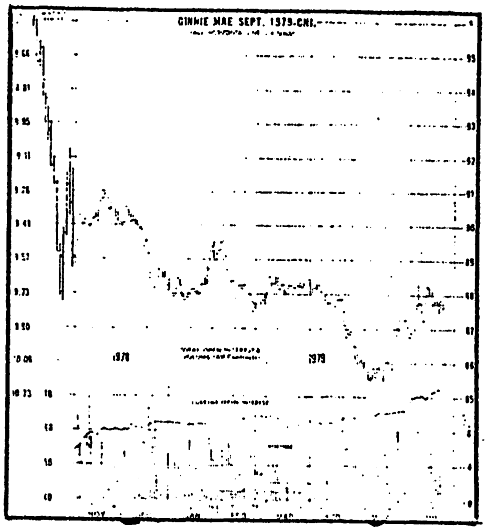




We reproduce above a curiously similar scenario : the great interest rates [illegible] 1973/74. In the midst of double-digit inflation, short term rate tumbled 3 percentage points over a period of six months, bottoming out just above long term rates. Incredibly, the U.S. dollar firmed throughout this period until about February 1974, date on which interest rates began their long climbs to new highs. Principally in response to external considerations, the Fed moved quickly to raise key rates of interest & succeeded in aborting a full-scale run on the dollar. The parallels to the present situation are remarkable. The U.S. dollar has strengthened while short term rates have moved down to "meet" long rates, all against a backdrop of rapidly accelerating double digit inflation. Paralyzed by fears of an inpending (real or imaginary) recession, the Fed will, this time, be slow to react. React it will, nonetheless, and rates will head higher.

Remain short Sept. '79 GNMA, raising stops to 89.25; re-sell Sept. '79 U.S. Treasury Bonds (stopped out @ 91.05) at present levels, placing stops at 93.00. Remain long Dec. '79 90-day Commercial Paper.





_Reprinted from Commodity Research Bureau

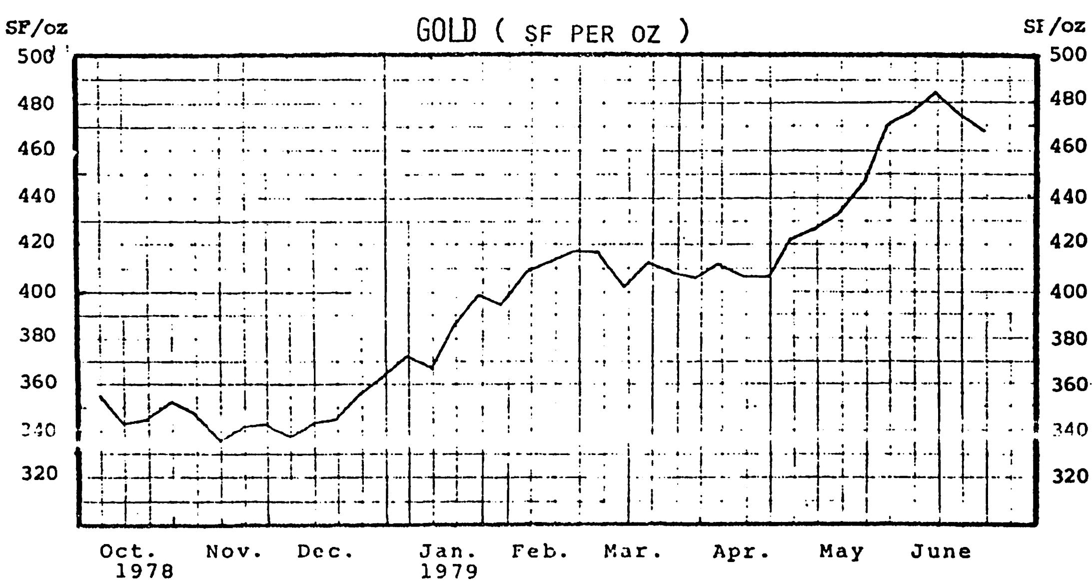
METALS

As per last month's Comments, long positions in Silver and Platinum should have been liquidated.

We remain neutral-negative on Gold, particularly in view of :

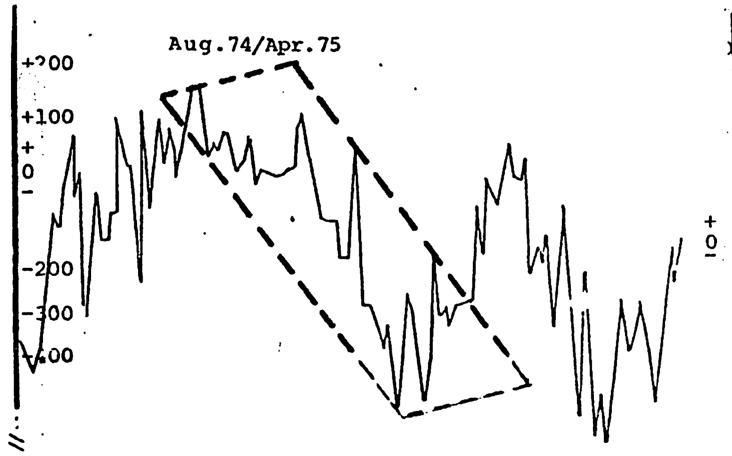
a) large public participation on the long side;
b) bearish connotation of Gold/SFr chart;
c) extreme distance from major uptrend (around $220-230/oz) and,
d) weakened technical structure of market as a result of the heavy shortcovering that has been taking place in recent weeks. * A reaction down to $235-240 is still a good possibility.

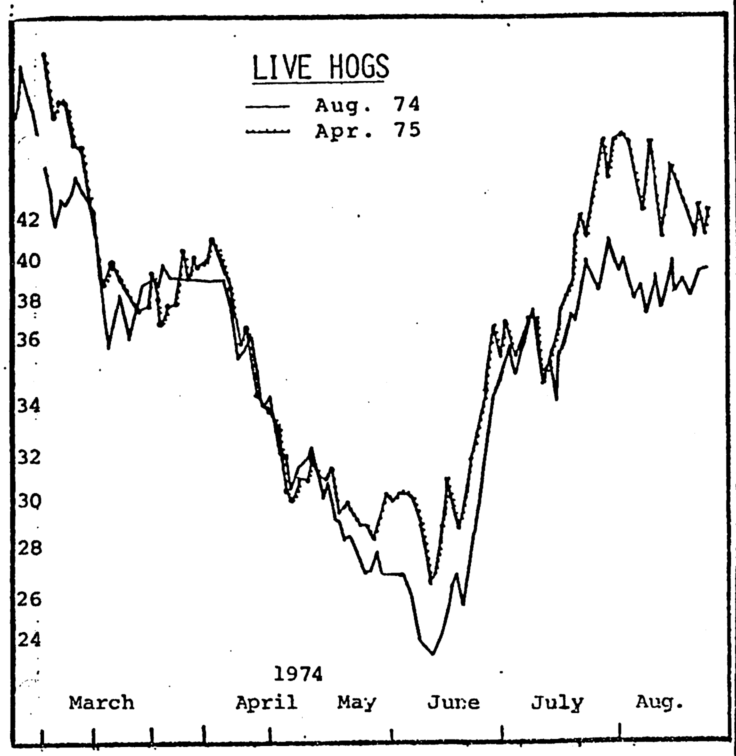
Copper seems to have recovered well from the extreme lows of 77-78 ¢/lb but has found inordinate resistance at the 87¢ level basis Sept. 79. We advise re-entering long side on a move above 88.00 basis December '79.

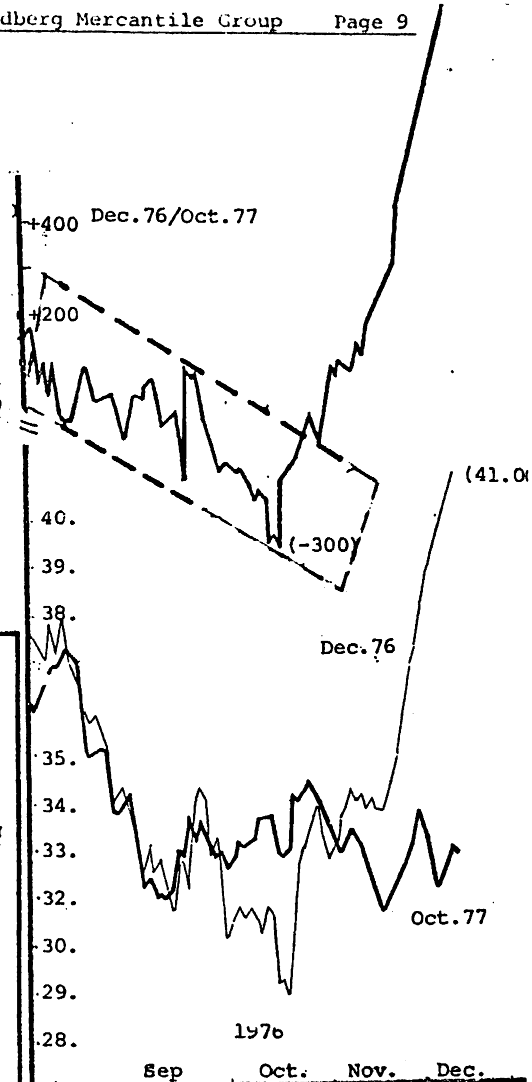


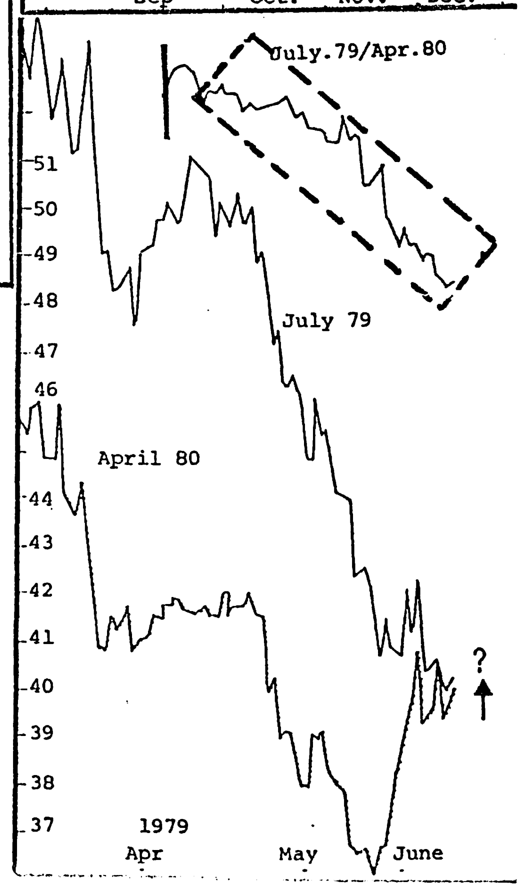
POTPOURRI ...

LIVE HOGS





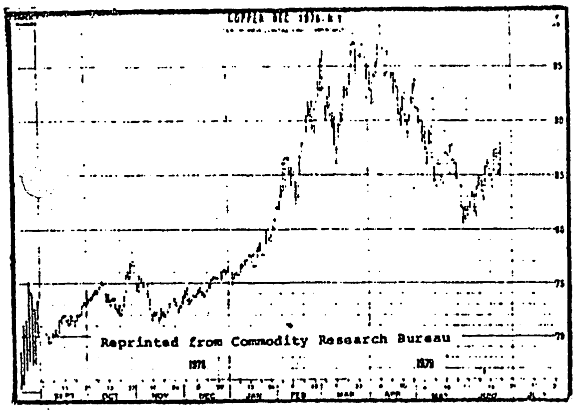




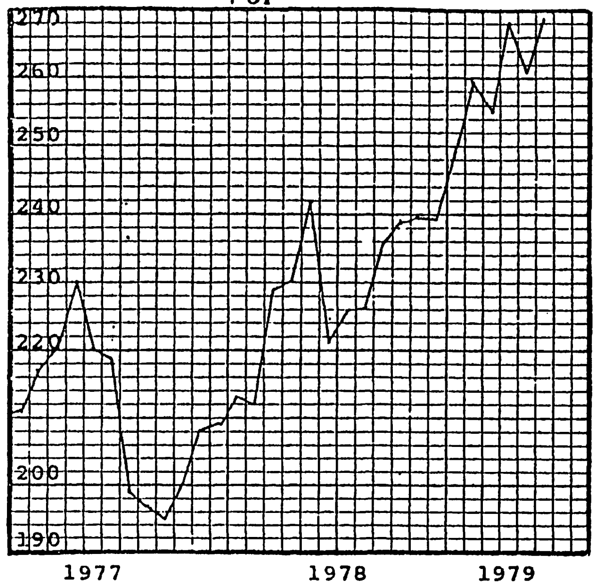
The reversion to a normal contango structure in the hog market can be associated with major turning points. The reasoning runs as follows: as hog numbers increase, heavier marketings and slaughter rates put downside pressure on Spot prices, bringing them below profitable breeding levels. Despondent and gloomy about the outlook, farmers give up the farrowing process and slaughter sows. Since it takes about nine months to bring a hog to market, a potential shortage begins to take shape and nine and ten months futures move up in expectation of reduced hog numbers.

The accompanying charts illustrate the backwardation to contango movement that appeared at the BOTTOM of the 1974 and 1976 hog markets and suggest a possible re-run.

Investors may purchase April & June 1980 hog futures.

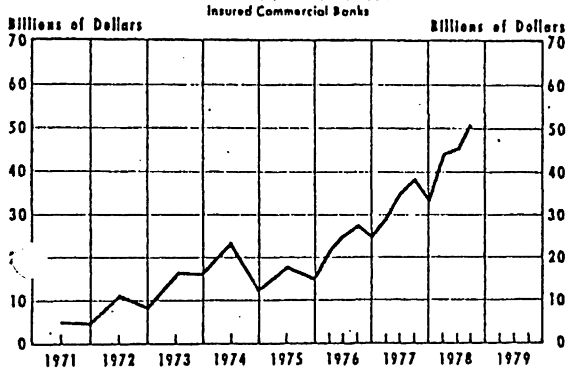


FCI



Net Federal Funds Purchased*

Insured Commercial Banks



*Federal funds purchased less Federal funds sold. Includes repurchase agreements.
Latest data plotted: September 1978

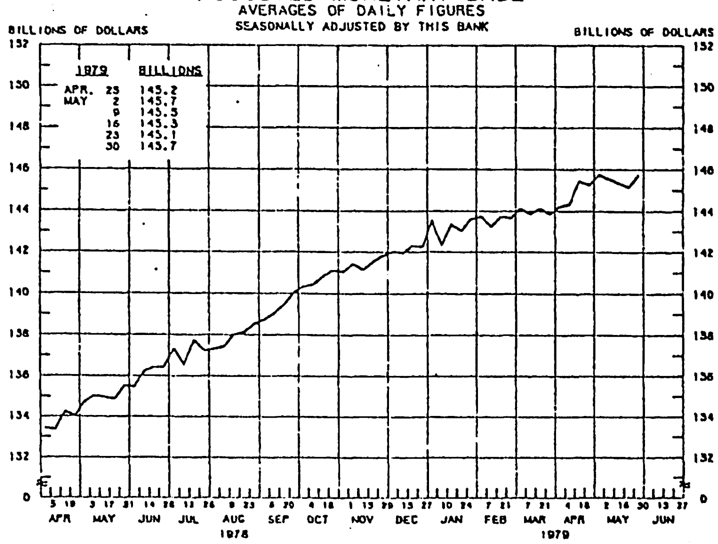
Prepared by Federal Reserve Bank of St. Louis

This phenomenal growth is distorting our heretofore reliable proxy called Deposits Subject to Reserve Requirements.

ADJUSTED MONETARY BASE

AVERAGES OF DAILY FIGURES

SEASONALLY ADJUSTED BY THIS BANK



LATEST DATA PLOTTED WEEK ENDING: MAY 30, 1979

THE ADJUSTED MONETARY BASE CONSISTS OF: (1) MEMBER BANK RESERVES AT THE FEDERAL RESERVE BANKS, (2) CURRENCY IN CIRCULATION (CURRENCY HELD BY THE PUBLIC AND IN THE VAULTS OF COMMERCIAL BANKS), AND (3) AN ADJUSTMENT FOR RESERVE REQUIREMENT RATIO CHANGES. THE MAJOR SOURCE OF THE ADJUSTED MONETARY BASE IS FEDERAL RESERVE CREDIT. DATA ARE COMPUTED BY THIS BANK. A DETAILED DESCRIPTION OF THE ADJUSTED MONETARY BASE IS AVAILABLE FROM THIS BANK.

*** FCI June 26/79: 268.94 May 30/79: 260.91 June 28/78: 221.50
+ 3.08% from last month
+21.42% from year ago.

****

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

Albert D. Friedberg