FRIEDBERG'S
COMMODITY & CURRENCY COMMENTS

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Real Interest Rates, at last ?

Sept. 5th, 1979

" Over longer periods, I believe that it is essential to maintain positive real rates, at least before taxes "

H. Wallich,
Governors,
Federal Reserve Board

Not good enough, but definitely getting closer. For almost two years we have advocated a sharp and dramatic increase in U.S. interest rates as the only way out of the current impasse. At the time, Fed Funds were trading at a lowly 6.5% and the game of 'nickling and diming' increases was in its infancy. A full twenty-one months later, the Fed Funds stands at 11 3/8%, it is beginning to jump in 3/8 - 1/2 percentage points increments but it is still not sufficiently high to match genuine savings to genuine industrial needs. And now, an official of the Highest Order pronounces himself in favor of positive real rates. Not bad if so much blood had already not been spilled and not bad if he had left out the phrase ' at least before taxes. ' And not bad if he had serious company at the Washington Round Table.

But wait, just under his breath and in a paternalistic tone, he adds that " one reassuring factor is that the upward movement of BOND YIELDS (our emphasis) indicative of rising inflation expectation has been moderate. " That is no longer true. Over the past few weeks, long term rates have soared by almost 50 basis points.

Who is the Fed fooling ? Obviously, only some of the people and only some of the time. For in the past three months, the U.S. dollar has lost as much as 8% against leading European currencies in spite of intervention approaching $14 billion. From May and up to the end of July, the U.S. admits to having sold approximately $5.4 billion equivalent of DM and SF while up to the end of August foreign exchange reserves of Switzerland, West Germany, U.K. and Japan have collectively increased by $8.5 billion. If we assume that the U.S. spent another few billion dollars in August, we begin to realize the magnitude and desperation of the latest flight from the Dollar.

Like all things political, temporizing will be resorted to in the following months. The U.S. may move to increase once again its gold sales to raise necessary foreign exchange. Clearly, nothing less than two million ounces per month ($750 million) will have any significance. Since the objective will be to raise funds rather than to depress prices, the market will not be able to absorb, at least temporarily, more than three million ounces per month ($1 billion). This upper limit is suggested by the amount of total bids presented at the IMF and U.S. Treasuries.

The sale of Gold out of the U.S. Treasury has certain <u>political</u> advantages, namely : (a) does not require the Fed to raise interest rates to the ' choking point' in the midst of an apparent recession while risking White House and Congressional displeasure; (b) can be effected quickly and expeditiously, without congressional approval and potential leaks; (c) sooths the violently anti-gold faction in the U.S. Administration; (d) carries the most dramatic psychological force and (e) has a ready market and mechanism. The second expedient available, some sort of foreign exchange controls, is not easily administered, is unpopular, requires Congressional approval and is anathema to the likes of Paul Volker. As a result, it can be discounted, at least temporarily.

The above scenario calls for a specific trading strategy. Unfortunately, there is one and only one reponse that will fit this scenario and, should it not come to pass, the response could lead to financial ruination. We will, therefore, suggest an 'all-year-round' course of action in the <u>full knowledge</u> that it will not represent the optimum strategy.

1) *Maintain a gold exposure but reduce it to an amount which, should a sudden $80/oz drop occur from any level, will not cause financial hardship,*
2) *Cover short positions in interest rates futures over the next few days.*
3) *Protect long positions in British Pounds via the sale of equivalent amounts of Japanese Yen.*

BRITISH POUND

Continuing heavy loan demand has necessitated the repeated injection of reserves into the banking system as interbank rates breach the 14% level. Recent M3 figures indicate that money supply is still growing at an excessive rate and well above the upper 11% target set by the Chancellor of the Exchequer.

The real economy has begun to wilt under the impact of the sharp VAT increase and price discounting has appeared in the major retail establishments in order to stimulate lagging sales. Should the Government persist with its tight monetary and fiscal policies, the U.K. will slide into a recession whose severity cannot as yet be ascertained. Trade-weighted Sterling should continue to appreciate for three reasons:

a) an improving balance of trade, ex oil, given the UK's high income elasticity of imports;
b) a positive oil influence, particularly in view of further prospective OPEC increases and,
c) a GILTs 'play', as hot money pursues long term sterling debentures up when the inevitable credit relaxation commences.

Trade unions' muscle-flexing will meet rising unemployment and squeezed corporate margins, thus posing little threat to Sterling.

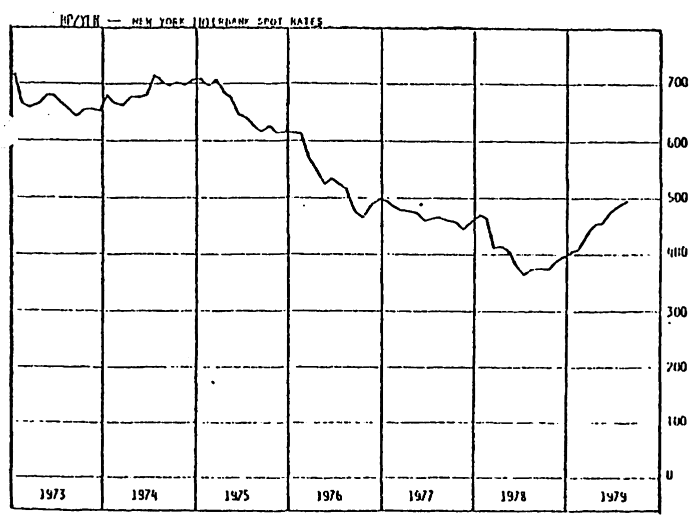
We are confident Sterling will rise vis a vis its trading partners' currencies but we are fearful of possible U.S. defensive measures, as outlined in our opening statement. We therefore recommended maintaining long BP positions and initiating hedged sales in the Japanese Yen, contract for contract. The Yen 'hedge' may be totally lifted if December '79 betters 48.50.

U.K. Economic Indicators

	Visible Balance	Current Balance	Oil Balance	M1*	M3*	DCE	Reserves	MLR	Food Index	FT Comdty
1978 ---	(bbn)	(bbn)	(£M)			(£M)	US$bln	%		
2nd Qtr.	-0.2	+0.2	-414	10.1	15.0	+2,800	16.75	10.	203.8	242.27
3rd Qtr.	-0.4	+0.2	-501	17.2	8.1	+ 572	16.55	10.	206.2	253.74
4th Qtr.	0.0	+0.4	-480	14.9	12.0	+1,774	15.77	12 1/2	208.0	257.69
1979 ---										
1st Qtr.	-1.6	-1.2	-237	7.6	9.4	+1,523	16.78	13	218.8	268.83
2nd Qtr.	-1.1	-0.7	-210	9.7	17.2	+2,702	21.69	14	225.2	293.55
Feb.	-0.8	-0.6	- 78	17.6	20.0	+1,057	16.62	14	218.7	267.36
Mar.	-0.7	-0.6	- 97	7.6	9.4	- 329	17.45	13	220.2	268.83
Apr.	-0.3	-0.2	-114	16.8	6.4	+ 823	21.47	12	221.6	277.11
May	-0.4	-0.3	- 54	13.8	8.1	+ 997	21.53	12	224.0	279.70
Jun.	-0.3	-0.2	- 42	9.7	17.2	+ 882	22.07	14	230.0	293.55
Jul.	0.0	+0.1	- 41	7.1	14.3	+ 399	23.49	14	231.2	278.92

*Three months' growth at annual rate.

Source: Financial Times



COMPARISON OF FORECASTS

		National Institue	London Business School
		% change	
Gross Domestic Product	1979	0.5	1.6
	1980	0.5	−0.4
Consumer spending	1979	4.2	3.0
	1980	1.9	2.0
Consumer price inflation	1979	12.7	12.6
	1980	13.8	14.1
Unemployment (Gt. Britain)	end-1979	1.33m	1.33m
	end-1980	1.61m	1.6m
Current account £m	1979	−1,687	−610
	1980	−400	−830

Aug. 8 - British Treasury

Due to the rise in Oil prices instituted by OPEC this past July 28, the predicted benefit of North Sea Oil and Gas to the 1979 British current account was raised from an estimated 3.9 billion Sterling to 7.2 billion -basis 1978 prices.

This is based on the same production as announced by Dept. of Energy on July 10, 1979.

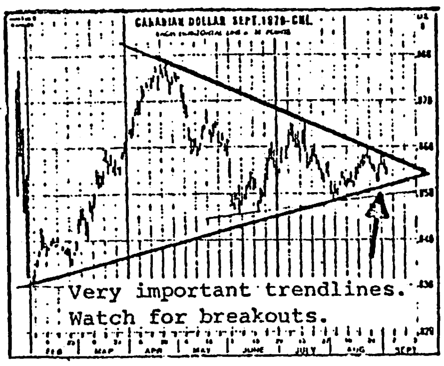
Reuters

CANADIAN DOLLAR

Relatively favorable inflation figures are masking . an enormous latent inflation. Evidence of this suppression appears in the Current Account which is expected to reach a record deficit of $7 billion. One need not go further than a casual inspection of monetary aggregates and their growth to find the cause for such a disturbing phenomenon. Broad banking treasures reveal truly disastrous excesses : growth rates of between 18 and 21% per annum (see table) !

Last month we expressed some hope that the Government's financing requirements for the current and the coming year would be financed in a somewhat less inflationary form than heretofore, particularly in view of the fact that the fiscal deficit was being scaled down. Our hopes have been dashed by the recent change of heart of the opposition with regards to favoring a 'small' $2 billion tax cut. A brilliant opportunity is being given to the ruling conservatives to practice consensus politics.

Remain short, as we have advocated for endless months, keeping stops at 86.00 basis September '79 and 86.10 basis December '79, basis close only.



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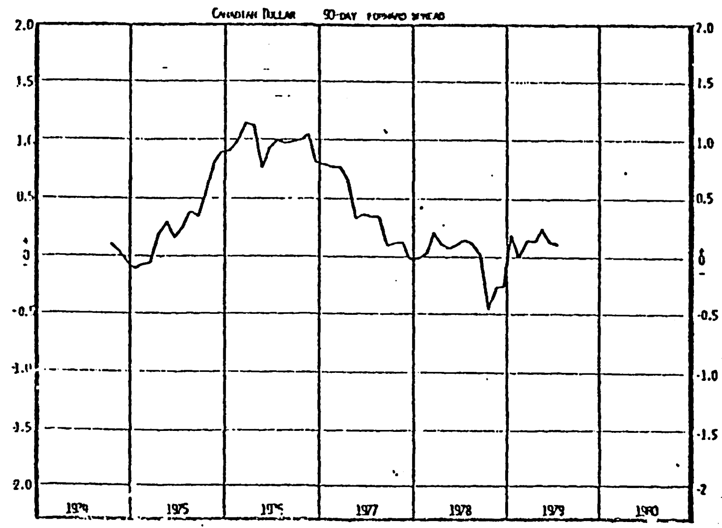
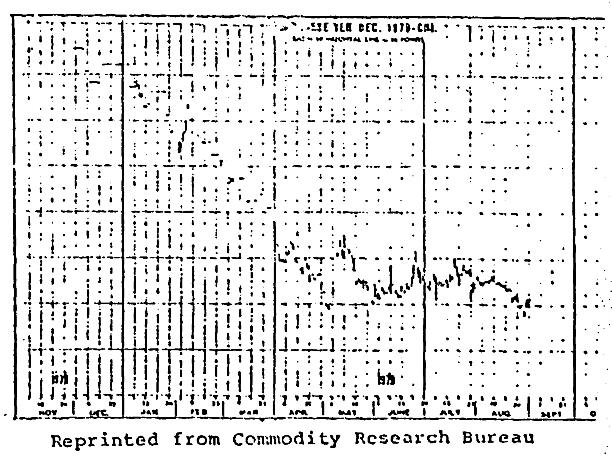


1979---	Balance of Trade (Mln $)	General Bank Loans**	Money Supply ** M1	M1b	M2	M3	Total Liabilities**	Int'l Reserves (Bln US$)	C.P.I.**	Food Index**	Unemployment S.A.	N.S.A.
Apr.	115	16.55	7.96	5.31	14.38	17.58	16.4	5.14	9.75	16.52	7.9	8.6
May	216	18.32	8.51	6.26	15.22	20.03	16.98	4.08	9.27	13.38	7.7	7.5
Jun.	206	20.34	9.32	6.35	15.75	20.22	17.91	4.18	8.85	11.70	7.5	7.0
Jul.	77	20.84	8.46	6.49	16.02	20.72		4.28	7.26	13.64	7.2	6.8
1978 ---												
Jul.	98	11.41	10.29	9.08	10.06	12.92	12.92	4.58	9.83	20.12	8.4	8.0

** Year-over-year % change.

JAPANESE YEN

We clearly do not subscribe to the thesis that rising oil prices or oil shortages are more harmful to Japan than to, say, the U.S. The reason is that the Japanese have been effective in rationing demand thru the market mechanism, thus adjusting well to the lower energy imput. Nonetheless, the market leans bearishly on the Yen as soon as bullish OPEC noises are heard. No doubt, excessive monetary creation is at the root of its unfavorable current account performance. This development is being fostered by the use of an unrealistically low interst rate policy.



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For the foreseeable future, the Yen should remain the weakest of the OECD currencies, and we thus permit ourselves to short it versus the purchase of BP.

Cover the hedge and go long on a move above 48.50 basis December '79.

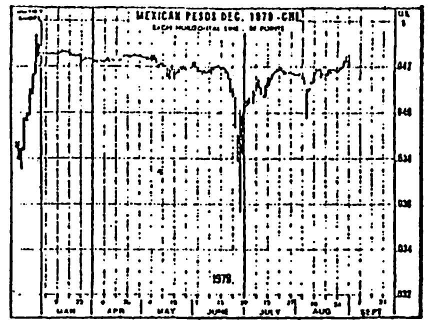
Mexican Peso

Forward Discounts
Comp. Annual Rates

	Sept'79	Dec'79	Mar'80	Jun'80	Sept'80	Dec'80
Spot	9.77	8.57	9.82	10.62	10.46	10.64
Sept'79		8.38	9.82	10.67	10.49	10.67
Dec'79			11.29	11.84	11.21	11.25
Mar'80				12.39	11.17	11.23
Jun'80					9.96	10.66
Sept'80						11.36

Mexican Consumer Prices -

The Bank of Mexico said Mexico's inflation rate reached 11.2% in the first seven months of the year. Figures showed that the inflation rate in July was 1.2%, adding to the 10% accumulated during the first six months of the year. The July 1978 rise was 1.7%



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Pemex Announces Its Plan For 1979-80 Crude Exports

MEXICO CITY - Petroleon Mexicanos, the Mexican national oil agency, expects its exports for the second half of 1979 to average 778,000 barrels of oil a day, Jorge Diaz Serrano, director general, said. Pemex crude-export plans for 1980 call for an average 1.1 million barrels daily.

Pemex's announced plans through the end of 1980 don't include any allotment for exports to Japan, which has been seeking Mexican oil. Mr. Diaz Serrano didn't comment on any confirmed export program for Japan.

For July through December 1979, Pemex plans to export 673,000 barrels daily to the U.S., 60,000 barrels to Spain and 45,000 barrels to Israel. In 1980, Pemex plans to export an average 776,000 barrels daily to the U.S., 160,000 barrels to Spain, 100,000 barrels to France, 45,000 barrels to Israel and 20,000 barrels to Brazil.

Mr. Diaz Serrano said Pemex expects 1979 sales, including domestic and export operations, to total $7.88 billion (U.S.), up from 1978's $4.43 billion.

U.S. boosts its Mexico Currency Swap Accord - from Wall Street Journal

Washington - At the request of Mexico, the U.S. increased its currency 'swap' arrangement with the Mexican central bank to $700 million from $360 million, the Federal reserve Board said.

A swap arrangement is an agreement under which one central bank will exchange on request its own currency for the currency of the other central bank. The U.S. has never drawn on its Mexican swap arrangement, but Mexico has drawn once or twice, a Fed spokesman said.

The increase enlarges the Fed's swap system to $30.1 billion. Primarily, the swaps are used by central banks to protect their currencies on foreign-exchange markets.

Japan ....

1979---	Balance of Trade	Balance of Paym't Overall Account	Balance of Paym't Current Account	(M1) Money Supply**	Reserves	W.P.I.**	Unem-ployment	Oil Imports
	(	Mln US$	)	%	(Mln US$)	%		Mln Kilolitres
Apr.	+510	-2,970	-258	18.18	26,110	2.18	2.19	
May	+ 53	- 754	-828	17.22	24,190	3.50	2.01	
Jun.	+1,110	- 380	+120	9.92	24,980	5.23	2.01	17.80
Jul.	210	-1,000	+878		25,120	8.26	2.26	24.20
				(Aug)	25,170			
1978--- Jul.	+2,720	+ 853	1,990	11.3	29,370	-2.65	2.34	19.39

** Year-over-year % Change

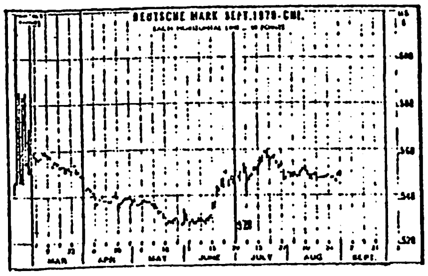
Euro Deposits ....

London Euro Deposits

		1979 Aug. 3	1979 Aug. 10	1979 Aug. 17	1979 Aug. 24	1979 Aug. 31	1978 Aug. 31
U.K.	1 Mo.	14 1/8	13 7/8	13 3/4	13 5/8	13 7/8	11 1/2
	3 Mo.	14.	14.	13 3/4	13 5/8	13 7/8	12.
	6 Mo.	13 3/4	13 3/4	13 3/4	13 1/2	13 3/4	12 3/8
	12 Mo.	13 1/4	13 1/4	13 1/4	13 1/2	13 5/8	11 3/4
C.D.	1 Mo.	11 5/8	11 5/8	Closed	11 15/16	11 3/8	8 7/16
	3 Mo.	11 5/8	11 5/8		11 15/16	11 15/16	9 3/16
	6 Mo.	11 7/16	11 7/16		11 15/16	11 15/16	9 3/8
	12 Mo.	11 1/16	11 1/16		11 1/2	11 1/2	9 1/2
D.M.	1 Mo.	6 1/4	6 1/2	6 5/8	7 1/4	7 3/8	3 3/8
	3 Mo.	6 9/16	6 11/16	6 3/4	7 1/4	7 1/2	3 1/2
	6 Mo.	6 7/8	6 15/16	7.	7 1/2	7 11/16	3 3/4
	12 Mo.	6 15/16	7.	7 1/16	7 1/2	7 3/4	3 15/16
S.F.	1 Mo.	1 7/16	1 7/16	1 7/16	2.	2.	1/2
	3 Mo.	1 9/16	1 9/16	1 11/16	2.	2 3/16	3/4
	6 Mo.	2 1/2	2 3/8	2 7/16	2 5/8	2 13/16	1 3/16
	12 Mo.	2 3/4	2 11/16	2 7/8	2 15/16	3 1/8	1 5/16

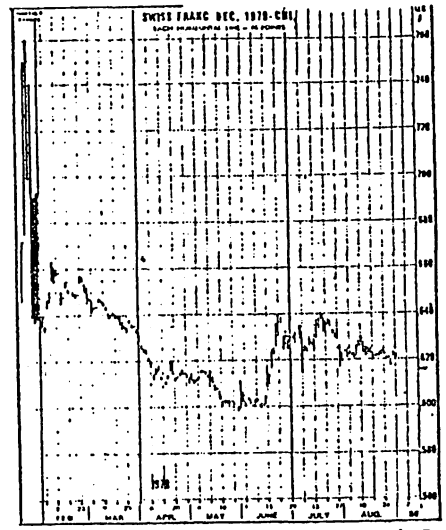
DEUTSCHE MARK

Speculators should switch long DM positions to Sterling as the latter is seen to perform better in the weeks ahead. Commercial hedgers should maintain long positions but protected with stops at 54.50 basis December '79 contract.



	Balance of Trade	Balance of Paym't	Money ** Supply	W.P.I.**	Cost of Living	Unem-Ploym't Rate
1979 ---	(Mln Marks	)				
Apr.	3,330	1,350	10.89	5.79	3.53	3.8
May	2,000	- 300		6.18	3.65	3.4
Jun	1,730	-3,200r	11.08	108.5*	3.91	3.3
Ju	607	-2,080	9.46	109.3*	4.58	3.5
1978 ---						
Jul.	+1,740	-1,500	9.82	Unch.	2.59	4.1

** Year-over-year % change.
* Year ago figures not available.



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SWISS FRANC

	Balance of Trade	W.P.I.**	Unem-ploym't	M1 ** Money Supply
1979 ---	(Mln SF)			
Apr.	- 300	2.09	0.4	
May	- 219	3.13	0.4	6.7
Jun	- 78r	3.83	0.3	7.1
Jul.	- 586	4.2	0.3	n/a
1978 ---				
Jul.	+ 38	-3.64	0.3	13.80

** Year-over-year % change.

Speculators should switch long SF positions to Sterling as the latter is seen to perform better in the weeks ahead. Commercial hedgers should maintain long positions but protected with stops at 61.50 basis Dec'79 contract.

Bp

Open Interest (Aug.31/79): 9,083
Daily Volume (Aug.31/79): 2,271
Contract Size : LP 25,000.00
Approx. US$: US 57,000.00
Minimum Fluctuation : .00050($12.50)
Daily Limit(Normal) : .05($1,250.00)
Margin Required : US$ 4,000.00
Commissions : US$ 55.00
Trading Hours : 8:23 am - 1:23 pm
Delivery Months : Mar.,Jun.,Sep.,Dec.

DM

Open Interest (Aug.31/79): 6,609
Daily Volume (Aug.31/79): 1,077
Contract Size : DM 125,000.00
Approx. US$: 70,000.00
Minimum Fluctuation : .00010($12.50)
Daily Limit(Normal) : .010($1,250.00)
Margin Required : US$ 4,500.00
Commissions : US$ 55.00
Trading Hours : 8:19 am - 1:19 pm
Delivery Months : Mar.,Jun.,Sep., Dec.

Can

Open Interest (Aug.31/79): 7,418
Daily Volume (Aug.31/79): 1,17[illegible]
Contract Size: C$[illegible]
Approx. US$: US [illegible]
Minimum Fluctuation : .0[illegible]10($[illegible])
Daily Limit(Normal) : .0[illegible]5($750.00)
Margin Required : US$ 2,000.00
Commissions : US$ 55.00
Trading Hours : 8:2[illegible] am - 1:21 pm
Delivery Months : Mar.,Jun.,Sep.,Dec.

Yen

Open Interest(Aug.31/79): [illegible]
Daily Volume (Aug.31/79): 1,1[illegible]
Contract Size : Yen [illegible]
Approx. US$: [illegible]
Minimum Fluctuation : .0[illegible]($12.50)
Daily Limit(Normal) : [illegible]
Margin Required : US$ 4,500.00
Commissions : US$ 55.00
Trading Hours : 8:25 am - 1:25 pm
Delivery Months: Mar.,Jun.,Sep.,Dec.

MP

Open Interest (Aug.31/79): 4,303
Daily Volume (Aug.31/79): 109
Contract Size : MP 1,000,000.00
Approx.US$: US 42,000.00
Minimum Fluctuation : .00001 (US$10.00)
Daily Limit(Normal) : .0015 ($1,500.00)
Trading Hours : 8:15 am - 1:17 pm
Margin Required : US$ 5,000.00
Commissions : US$ 55.00
Delivery Months : Mar.,Jun.,Sep.,Dec.

SFr

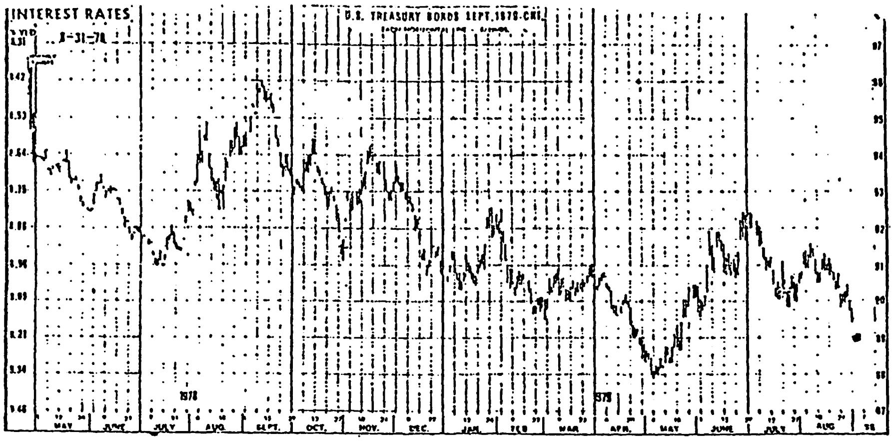
Open Interest(Aug.31/79): 7,879
Daily Volume(Aug.31/79): 919
Contract Size: SFr 125,000.00
Approx. US$: $ 77,500.00
Minimum Fluctuation : .00010 ($12.50)
Daily Limit (Normal): .0150($1,875.00)
Margin Required : US$ 5,000.00
Commissions : US$ 55.00
Trading Hours : 8:15 am - 1:15 pm
Delivery Months: Mar.,Jun.,Sep.,Dec.

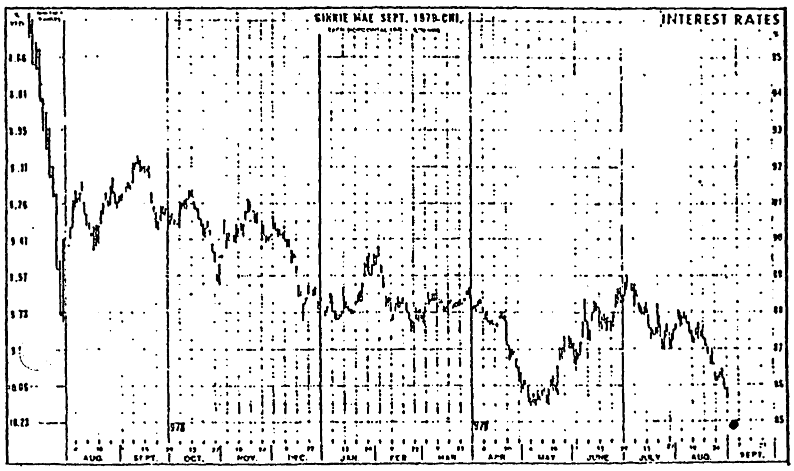
INTEREST RATES FUTURES

Monetary aggregates are now seen by all to be running out of control and a panic climate has set in over debt instruments. One needs little intellectualizing about monetary policy in such conditions for they are nearly always consistent with important turning points in the market.

We will therefore, skip the analytical framework and turn into traders. Cover GNMA & U.S. Treasury Bonds short positions and liquidate long December '79 90-day Commercial Paper purchased at 9.46 and now trading at 11.81. All positions should now show substantial profits (particularly the Commercial Paper with a $5,500 gain on a $2,500 margin over just 8 weeks).

Purchase June '80 Treasury Bills on a scale down from 90.55 to 89.50, every 20 points. It should show a respectable profit within 60 days.





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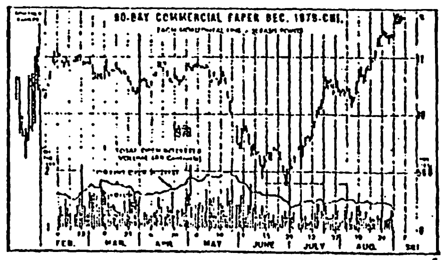


GNMA	Settle	Yield	Treasury Bonds U.S.			Treasury Bills		
Sept	84-23	10.278	Sept	89-00	9.214	Sept	89.93	10.07
Dec	84-25	10.267	Dec	88-19	9.263	Dec	89.96	10.04
Mar'80	84-26	10.262	Mar'80	88-16	9.274	Mar'80	90.26	9.74
Jun	84-27	10.256	Jun	88-13	9.286	Jun	90.55	9.45
Sept	84-27	10.256	Sept	88-11	9.294	Sept	90.85	9.15
Dec	84-22	10.283	Dec	88-07	9.309	Dec	91.15	8.85
Mar'81	84-16	10.315	Mar'81	88-03	9.324	Mar'81	91.34	8.66
June	84-10	10.347	Jun	87-31	9.339	Jun	91.46	8.34
Sept	84-04	10.379	Sept	87-27	9.355			
[illegible]	83-31	10.406	Dec.	87-23	9.370			
Mar'82	83-26	10.433	Mar'82	87-20	9.382			

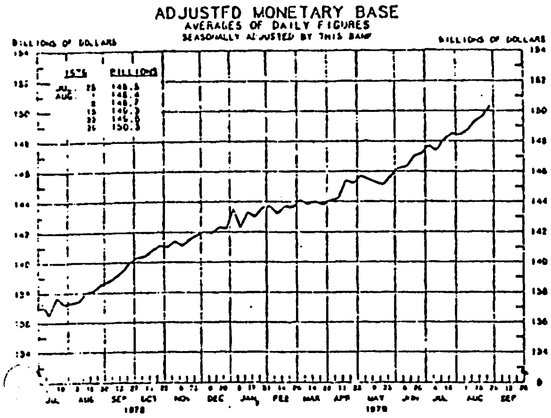
POTPOURRI

Technically, the copper action looks disturbing for the longs given the huge increase in the open commitment; would sell short December '79 at present levels, risking a close above 95.00.

Remain long lumber, switching over September '79 into November '79 at a minimum of $15 September premium or in the closing days of the September contract.

Gold positions were closed out at 304 basis December '79 as per last month's comments. Clients of the firm were advised to reinstate long positions in the 303-313 area after the sharp setback to $288. This is one of those times (& they are few) when longer term recommendations must be adjusted on very short term notice. We are deeply sorry for such a faux pas ...

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



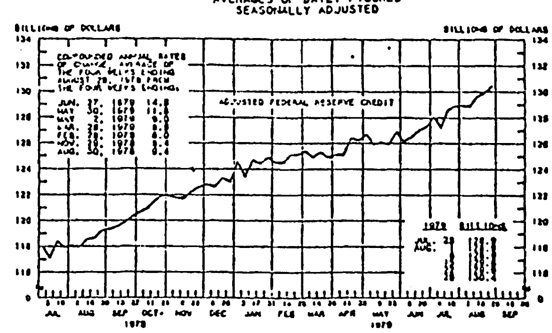
ADJUSTED MONETARY BASE

COMPOUNDED ANNUAL RATES OF CHANGE, AVERAGE OF FOUR WEEKS ENDING:

TO THE AVERAGE OF FOUR WEEKS ENDING:	8/30/78	11/29/78	1/31/79	2/28/79	3/28/79	5/2/79	5/30/79	6/27/79
1/31/79	9.0							
2/28/79	8.3	6.1						
3/28/79	7.8	5.3	3.7					
5/2/79	7.7	6.1	5.7	6.2				
5/30/79	7.7	5.6	5.0	5.1	6.2			
6/27/79	7.7	6.5	6.3	6.8	8.6	7.4		
8/1/79	8.0	7.0	7.1	7.6	6.7	7.5	11.2	
8/29/79	8.3	7.6	7.9	8.4	6.4	9.8	11.6	11.5

PREPARED BY FEDERAL RESERVE BANK OF ST. LOUIS

ADJUSTED FEDERAL RESERVE CREDIT
AVERAGES OF DAILY FIGURES
SEASONALLY ADJUSTED

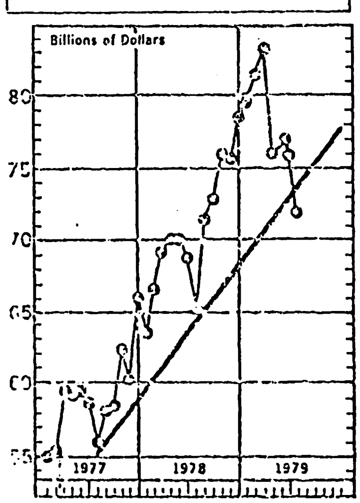


Member Bank Deposits - Subject to Reserve Requirements

Date	*3-Month**	*6-Month**	*12-Month***
Jan.79	8.26	6.98	7.88
Feb.	1.83	5.72	7.30
Mar.	-0.20	3.12	6.02
Apr.	-1.50	3.21	5.52
May	-3.69	-0.97	3.84
Jun.	-2.12	-1.16	2.21
Jul.	+0.06	-0.77	3.10

* *All percentage changes are at seasonally adjusted compounded annual rates.*
** *All percentage changes are at not seasonally adjusted annual rates.*

Durable Goods



(Wall Street Journal)

Sign of a recession ?

FCI	Aug.31/79	July 31/79	Aug.31/78
+ 17.8% from Year ago + 7.5% from month ago	266.16	247.48	226.00

Albert D. Friedberg

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REPORT ON BUSINESS
THE GLOBE AND MAIL, SATURDAY, SEPTEMBER 1, 1979

Update
COMMODITIES

Ontario moves to beef up legislation protecting customer in futures market

By GEORGE McNAIR

One of the main points of criticism by those involved in or affected by the trading of commodity futures has been the lack of legislation to regulate that trading.

That weakness will be a thing of the past as Ontario Regulation 430/79 under the Commodity Futures Act comes into effect today.

Preparation for this day has been going on for a year. Various brokerage personnel who have not been registered or licenced have been scurrying around to do so before the deadline and taking examinations where required.

Thirty-six firms had not complied with the requirements by Thursday and the commission has filed a notice of motion to be heard next Thursday in the Supreme Court of Ontario for failure to do so.

After the hearing the parties could be forced to cease trading if still not fully complying with the act, but the actions will be discontinued if they have done so. A period of 30 days' grace will be allowed those firms that can demonstrate they have made a substantial effort to meet the requirements.

Everyone in the business of handling the ventures of speculators in commodity futures must be registered, licenced, prove financial responsibility and adhere to strict trading regulations.

"Customer protection is the theme of the Act to Regulate Trading in Commodity Futures Contracts," said David Walters, deputy director of commodities at the Ontario Securities Commission. Actual policing of the act will be carried out by the Toronto Stock Exchange.

Dealers must demonstrate adequacy of capital by meeting the minimum of the net free capital requirements, must maintain minimum personnel service, must have adequate insurance coverage and must submit for approval their supervisory procedures. The objective is to achieve a high standard in terms of serving Ontario speculators in commodity futures, he said.

Legitimate hedgers in commodities are not included in this act — those defined as users or suppliers of commodities who use the futures market for forward pricing protection. They are not required to register, nor is a dealer who handles only hedging business.

Different financial requirements are set for various categories of registrants. From now on every applicant for registration has to pass an examination to determine knowledge of the business in which he would be involved. Many of those who have been in the business for certain lengths of time were not required to take examinations.

The applicant for registration as a salesman, or as a dealer or officer of a registered dealer or registered adviser is required to give the following information:

— Full disclosure of employment, business activities and residences, including periods of unemployment, for the full 15 years before the date of application;

— Whether the applicant or associates have been convicted or have outstanding any charges under indictment in any province, state or country;

— If ever a defendant or respondent in any proceedings in any civil court anywhere in the world where fraud was alleged;

— If discharged by any employer for "cause;"

— If ever declared bankrupt or made a voluntary assignment in bankruptcy;

— If ever refused a fidelity bond;

— If ever registered or licenced in any other capacity to deal with the public in any capacity, if ever refused registration or licencing or ever had them cancelled or suspended, if ever used any other name in any such occupation (females must give their maiden name and any married names), if ever a member of any commodity exchange, clearing house, etc., or if ever refused a membership or had it suspended.

Three character references at least are required, together with personal data as to height, weight, date of birth, place of birth, social insurance number, etc., even marks such as scars or tattoos. This part of the requirements is for the commission only, and not for the registered dealer or adviser.

Capitalization will vary according to the concentration factor of the customers' involvement in trading markets, whether in gold, for instance, or copper or grains and oilseeds.

Monthly financial statements must be provided and any deficiencies made up within five days.

The broker must check to make sure the client is trading in a suitable area. As one manager explained: "Knowing your client now comes into play under the commodity trading act."

The main requirement is that all in the speculative field must be registered after Sept. 1. "That will bring people out of the grey side of the business," another manager said.

The customer will still be on his own as to responsibility for what advice he selects; he must choose the firm he thinks best. The advice he may get is an opinion, which may differ from broker to broker about the same commodity at the same time.

"The customer buys the opinion he likes and makes his own decision," according to another manager.

Those in the business agree that some customers are hard to deal with. Most of the buying and selling is by telephone and brokerage firms require their personnel to read back each order to the client for approval. The occasional client may try to welsh on what he accepted when a trade goes the wrong way, but most of these can be weeded out quickly and go to another broker where they may try the same tactics.

Others have to be protected by brokerage personnel, to keep them from getting in too heavily for their personality or resources. Some speculators think they have a measure of safety in the variety of contracts they hold at one time. But all or most of these could go wrong the same day.

Most brokers will do their best to drop clients who are poor losers, for in commodity trading losses are common and the battle is to keep them as low as possible, awaiting a good profit to come along that often can cover the losses by a wide margin. That is where the personality comes in.

Advertising by brokers comes under scrutiny under the act and changes may be required or the ad banned altogether if necessary.

Complaints can be made to the commission by traders if they believe they have been victims of questionable practices or treatment in the handling of their trading.

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As of Sep. 1st, 1979, there are only five companies that have met all the filing requirements for registration - Midland-Doherty Ltd., Yorkton Securities Inc., Merit Investment Corp. Ltd., Richardson Securities of Canada, and Friedberg Mercantile Group.