

FRIEDBERG'S

COMMODITY & CURRENCY COMMENTS

Friedberg Commodity Management Inc.



Volume 5, No. 3 March 11, 1984

Talking the dollar down is not enough . . .

Chart 1

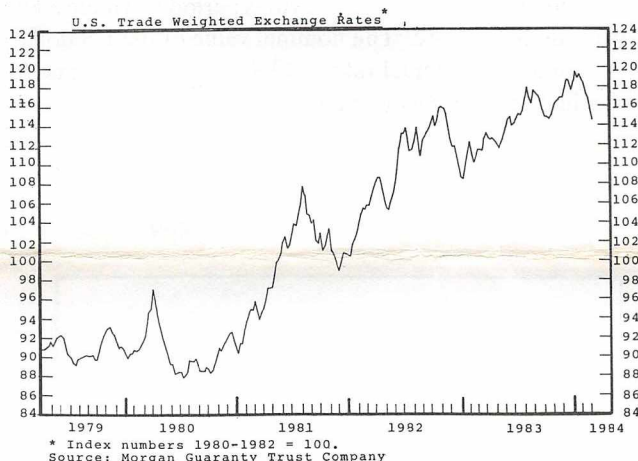


Chart 2

United States: Trade Balance by Country
(balance of payments basis; million U.S. dollars)

	1980	1981	1982	1983 ¹
Total	-25,544	-28,067	-36,389	-63,521
Canada	-1,277	-2,242	-9,198	-9,810
Western Europe	20,348	12,235	6,793	98
United Kingdom	2,970	-263	-2,352	-2,099
Germany, Fed. Rep. of	-243	-887	-2,688	-4,344
Other	17,621	13,385	11,833	6,541
Japan	-10,411	-15,802	-16,991	-19,886
Other developed countries	584	3,388	2,623	1,585
Latin America	5,860	7,481	-3,389	-13,911
Brazil	629	-676	-863	-2,491
Mexico	2,647	4,440	-3,808	-7,762
Venezuela	-740	-122	429	-2,328
Other	3,324	3,839	853	-1,330
OPEC countries (excluding Latin America)	-37,476	-28,546	-10,978	-7,111
Other developing countries ²	-4,584	-7,490	-7,908	-15,909

¹ Preliminary estimates.
² Residual excluding Eastern Europe and international organizations.
Data: U.S. Department of Commerce, Bureau of Economic Analysis

What's the surest bet for 1984? That the US dollar will go down, of course. By how much? Well, four or five percent. But then again, by as much as 20 percent, according to Martin Feldstein, President Reagan's chief economic adviser. But why? Because, don't you know, the US dollar is overvalued.

Joining the dump-the-US-dollar-bandwagon were a vociferous number of prominent government officials, bank economists, brokerage firms' analysts, chartists, trend followers, etc. The bearish consensus reached an incredibly high 92% (as compiled by Market Vane from a survey of leading tip sheets) for three weeks. From our office, it looked like we were the last bulls left.

Could it be, we asked ourselves, that a minuscule current account deficit, equal to a mere 1% of GNP if that, (see last month's *Comments*) could topple the mighty US dollar? Could it be that a trade deficit caused mainly by the more rapid economic growth in the US than in Europe and Japan, and the substantial loss in net exports to debt-troubled countries, (see Chart 2) would give off mistaken signals, picked up by market participants as evidence of *overvaluation*?

Little bits and pieces of so-called evidence helped to maintain our sanity. A Brussels-based management consulting firm reported that, indeed, since 1980, London, Paris, Rome, Brussels, the Hague, Athens, Dublin, Lisbon, and Madrid all have become less expensive than New York for executives paid in US dollars. But, the firm added, life in New York is still *cheaper* than Vienna, Oslo, Helsinki, Stockholm, Copenhagen, Frankfurt, and Geneva. The survey was based on the cost of clothing, food, services, transportation, and

Contributors

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In this issue

The US buck: up, down, or sideways? We make some predictions of our own. Tales from the Gulf, or What are Iran and Iraq up to and what's it all mean for oil prices? Gold: Have the bears gone into hibernation? Grains and hogs look bullish, but what about cattle?

entertainment for an executive earning at least \$50,000 annually. Recognizing the imprecisions of these measurements, we allowed that the dollar could not *possibly* have become dearer by 40, 30, or even 20 percent in real terms, unless, in fact, it was *catching up to an abnormal undervaluation*.

Admittedly, *some* US economic sectors are being put out of business. This is the case with steel, shoes, textiles, and consumer electronics. But, on the other hand, other sectors remain extremely competitive: agriculture; insurance; real estate; securities (for investment purposes); some high-tech industries; etc. By themselves, the sectorial case of rising fortunes and misfortunes do absolutely nothing to prove or disprove the basic case of overvaluation.

Isolating and taking apart other "bandwagon" arguments helped calm our frayed nerves. The declining US stock market, it was said, was responsible for a massive flight of capital, from New York to Frankfurt. Ironically, Frankfurt's Commerzbank Index had also been in a persistent decline since the end of January and had fallen by almost 8%, only slightly less than the broad-based US stock indices. Paradoxically, the British Financial Times Ordinary Index was in the process of recording new all-time highs while Sterling was dropping to new trade-weighted lows!

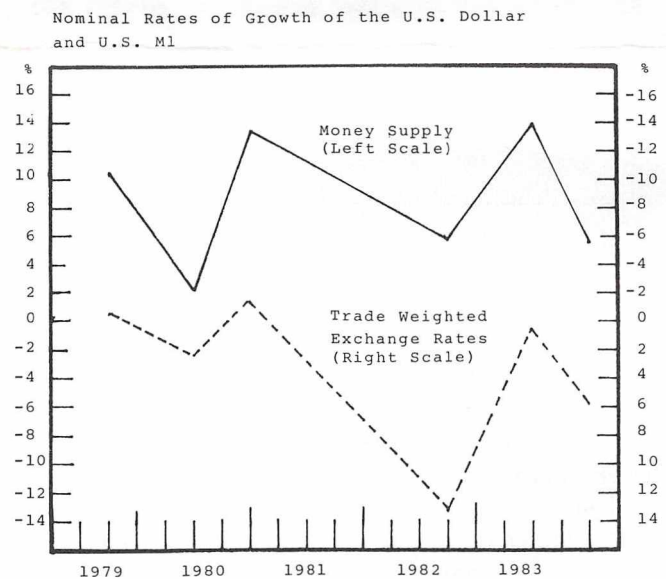
Having done away with the "stock market" factor, we breezed over the deficit argument. It ran as follows: the large US fiscal deficit is attracting funds from abroad. But, Mr. Volcker does not *like* the deficit, so it probably won't be attracting any more funds. Or, perhaps, Mr. Volcker threatened to *raise* interest rates to *fund domestically* the deficit and stop being so dependent on foreign savings. Of course, these arguments assume that foreigners will, at the higher rates of interest, graciously bow out of the opportunity to invest their savings in favor of US residents. Ergo, no more capital inflows. Ergo, the dollar will collapse. Absolutely asinine.

In its infinite wisdom, the *Financial Times* of London, in an editorial headed "The Volcker dilemma," concludes that Mr. Volcker's "greatest hope paradoxically, lies in continued weakness in the dollar; because this reduces the real debt burden, it allows the Fed a little elbow room to tighten credit domestically without undue interest risk. That (!?) no doubt is a reason why he chose to talk the dollar down." In other words, the Fed is involved in an exquisitely perverse game of fine-tuning: It feels compelled to raise interest rates to moderate prices, but it cannot do so while the dollar is perched at the highest level in 10 years. So, first, the Fed talks the dollar down, and when the decline has just about reached that magic level (10%?), it proceeds to raise interest rates. But it can only raise interest rates so much before the market becomes aware of the ruse. When the market catches on and drives the dollar back up, Mr. Volcker will either relent and bring interest rates back down (mission accomplished) or prepare a new bearish speech about the dollar. Was it not an American who said "you can fool some of the people some of the time . . ."?

But, all sarcasm aside, how come the dollar followed the script and obligingly dropped as much as 10%? Humbly, we submit that action and not mere words triggered the decline.

Chart 3 shows the spasmodic convulsion of the narrowly-based US money supply (M1) expressed in annual rates of growth from the average of one quarter to the average of another quarter. We can see that since 1979, increases in M1 did not proceed in a straight line but rather, advanced by fits and starts, a policy strongly criticized by Dr. Milton Friedman and his Monetarist colleagues. Whatever the effects of this stop-go policy on real economic growth (an effect that we tend to discount), it surely impacted the *nominal* behavior of the US dollar in foreign exchange markets. In the same chart, we have graphed the movement of the trade-weighted dollar and inverted its signs so that dollar advances would show up as declines and vice versa. This procedure enables us to visualize a simple mechanism: accelerating rates of M1 growth produce a weakening of the US dollar uptrend (with values ranging from a negative annualized 1.5% to a small positive of .4%), while decelerating rates of M1 growth cause or are associated with a sharp steepening of the uptrend. As an example, from IVQ 1980 to IQ 1982, money supply growth decelerated from 13.3% in the previous period to a mere 5.8% annual rate of increase: The nominal value of the US dollar appreciated by an annual rate of 13.2% in sharp contrast to the decline of the previous period.

Chart 3



It is no secret that the move to contemporaneous reserves "forced" (?) the Fed to become a bit more accommodative to the extent that since the beginning of January, M1 has moved from the low end of the target range, calling for a 4%-8% annual growth rate, to the top end of the range. This accelerating rate of M1 growth has been — surprise, surprise — associated with a weak dollar. In fact, the US dollar is now lower than its average value recorded in the fourth quarter of 1983.

While the foregoing explanation lacks predictive value — for who is to forecast accurately next week's money supply

numbers or Fed intentions — it is more convincing than the “balance of trade” or “deficits” arguments. That is not to say, of course, that the dollar could not become *fundamentally* dear and supported only by hot, speculative money inflows, very much like the Latin American experience of 1979-1980. More likely, it tells us that *within a major trend*, the dollar’s nominal value will fluctuate (i.e., advance and react) in unison with the rate of acceleration and deceleration of its money supply.

We remain convinced that turning points are a function of “value.” But we also remain convinced that such a turning point has, as yet, not come.

STRATEGY: *The dollar is bottoming out. Unable to guess the Fed’s next move, we remain imprecise as to the timing of the turnaround. Nevertheless, we advise reinstating any stopped-out short positions (see summary of tape messages on the last page). The Deutschmark seems to offer the best all-around short sale value; the British pound, the worst, simply because it has already dropped quite substantially against other Continental currencies.*

Furthermore, any trouble with Middle Eastern oil supplies would strengthen Sterling from its currently oversold cross rate of 3.77 DM. By the same reasoning, oil supply

disruptions could have a strongly negative effect on the Japanese yen. Therefore, commercial accounts should reinstate short positions in the yen, while speculative accounts should concentrate on the DM.

All currency short positions are to be closed out should the DM trade and close above .405 basis spot.

Canadian Dollar

Mindful of the weakening state of domestic demand and mindful too, of the stickiness of the high rate of unemployment, Canada’s finance minister resigned himself to a policy of “benign neglect” for the sinking Canadian dollar. Not so the Bank of Canada, where a determined effort is being made to hoist short-term rates and intervene in the foreign exchange market to at least moderate the decline.

One is tempted to conclude that a 75¢ dollar is, on balance, positive for a leaderless government in search of jobs and votes.

STRATEGY: *Remain short. Cover on a fast move down to the 75¢-76¢ area. Otherwise, place stops at 79.80, basis June ’84.*

Chart 4

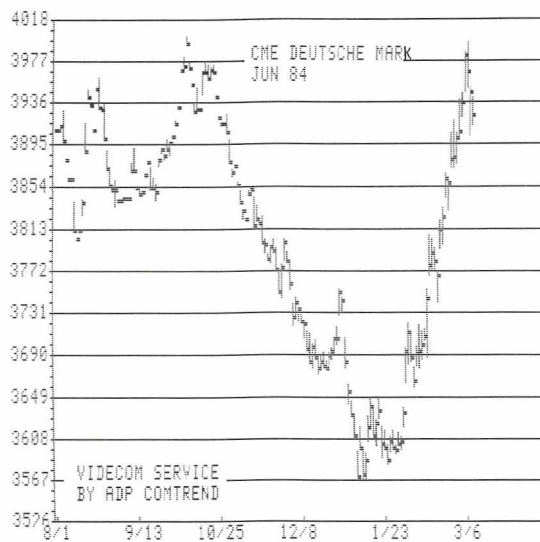


Chart 5

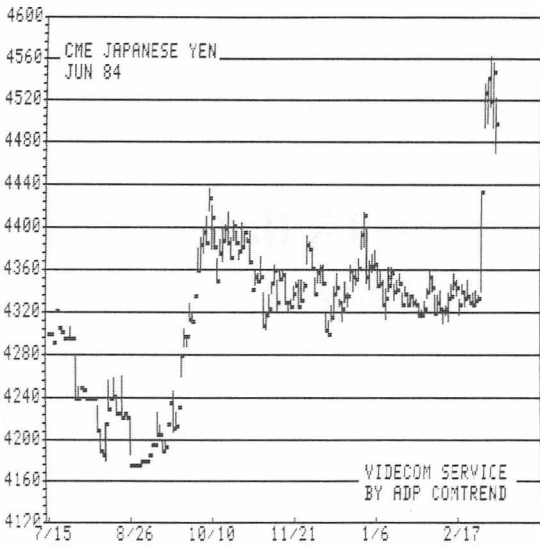


Chart 6

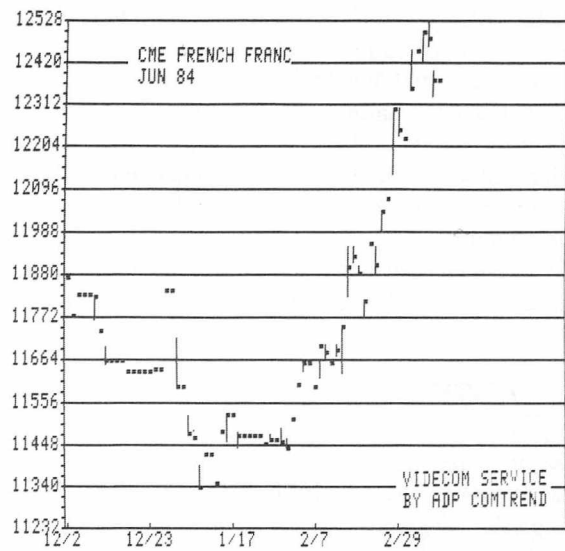


Chart 7

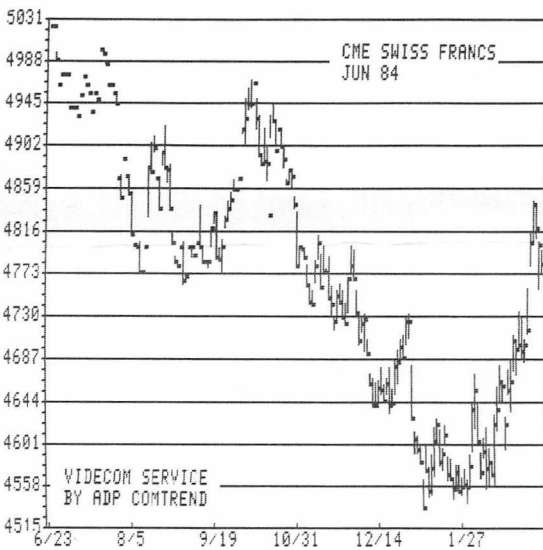


Chart 8

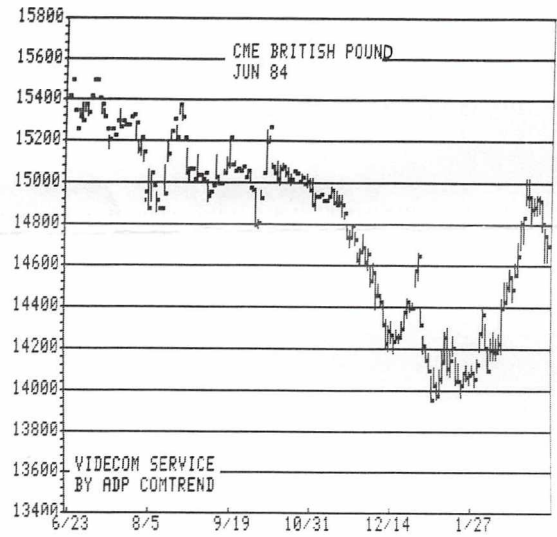


Chart 9

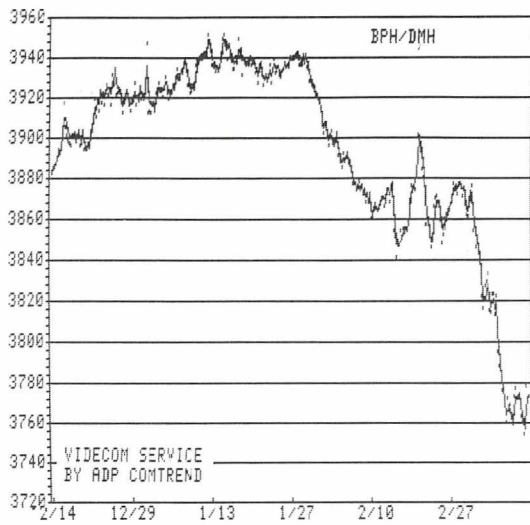
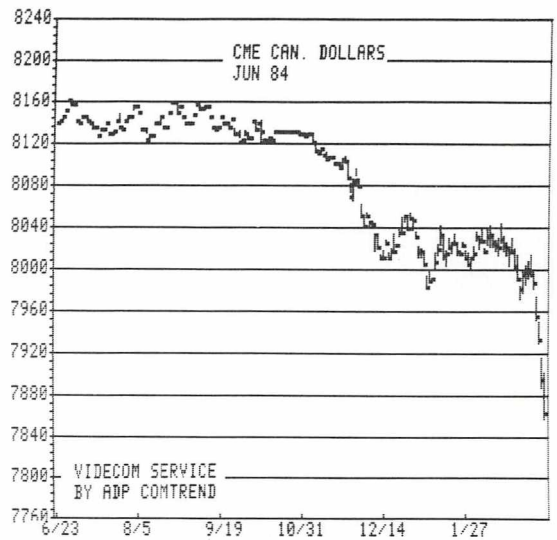


Chart 10



Energy Futures

Where Gulf traffic is inexorably coming to a standstill . . .

All eyes are fixed on the Strait of Hormuz. Will the Iranians carry out their threat and close the Strait? Military experts believe that any such attempt will result in failure, given the powerful presence of the US, British, and French navy units in the area, armed with a political commitment to maintain open sea lanes.

More plausibly, the threat to oil supplies must be reckoned to come from indiscriminate Iraqi attacks on tankers loading at different parts of the Gulf. So far, Iraqi bombs have hit and destroyed a 9,066-tonne Turkish cargo ship, a 16,000-tonne Indian vessel, and more recently, a 19,000-tonne British bulk carrier on its approach to Bandar Khomeini. As a result, Lloyd's of London has doubled its war insurance rates for ships travelling into the Iraq-Iran war zone. In an attempt to counter a potential dry-up of traffic, the Iranians, too, have offered relatively cheap insurance rates to shipowners who are prepared to load from Kharg Island.

In the war front, speculation is rife that the Iranian regular army is only weeks if not days away from launching a massive attack into Iraq. Over one-half million men have been massed along the border, within easy distance of Basra, Iraq's second most important city. It has also been confirmed that irregular Iranian troops captured in late February the Magnoon Island and its proven but currently non-producing oilfields.

Against better weapons and a far superior air force, the Iranians pit their three-to-one manpower advantage, their religious fanaticism, and a most comfortable financial position. Iran's lifeline is oil: Provided its export shipments are not disrupted and the price of oil is maintained at \$29/barrel or thereabouts, the Iranians are not likely to lift their pressure on Iraq or any of its neighbours. They are also unlikely to stop short of total and unconditional victory.

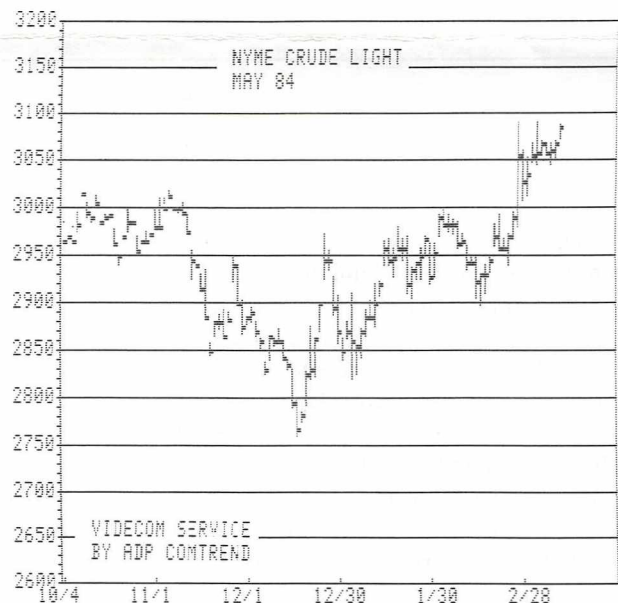
What are Iraq's choices? It can try deposing Saddam Hussein in favor of a more pro-Iranian ruler. This is unlikely to quell Iran's demands for reparations. Moreover it may even embolden Khomeini to press on for complete control of the Gulf. Iraq can try convincing Saudi Arabia to drop its posted oil prices to \$10 or \$12/barrel at least for long enough to bankrupt Iran, which, at 2.7 million barrels per day (mb/d) would lose the equivalent of \$1.5 billion per month. This alternative, which we have discussed for many months, makes too much sense to be seriously considered, and so, Iraq is left with the only other choice: make life unbearable or too costly for any Gulf traffic. Lloyd's reappraisal of war risk rates may only be the opening salvo of a very warm spring and summer.

The oil market is no longer *dominated* by economic considerations. The Saudis have reportedly lowered oil pro-

duction to a low 4.2 mb/d, a figure that includes its share from the neutral zone *and* its continuing stockpiling effort, bringing total Opec production to just under 17 mb/d. This maneuver has counterbalanced excess output by other members, particularly Nigeria, which is said to be producing 1.6 mb/d, 300,000 b/d above its quota. Over the next two months, demand is likely to fall to below 16 mb/d and may require an even greater Saudi sacrifice, unless political/military considerations "freeze" the 8 mb/d of oil streaming out of the Gulf.

We remain steadfastly bearish on *oil fundamentals* but are unwilling, as traders, to countenance a suffocation of Gulf exports. A nervous spot market has been inching steadily upwards (see Chart 11) and has now crossed our threshold of pain.

Chart 11



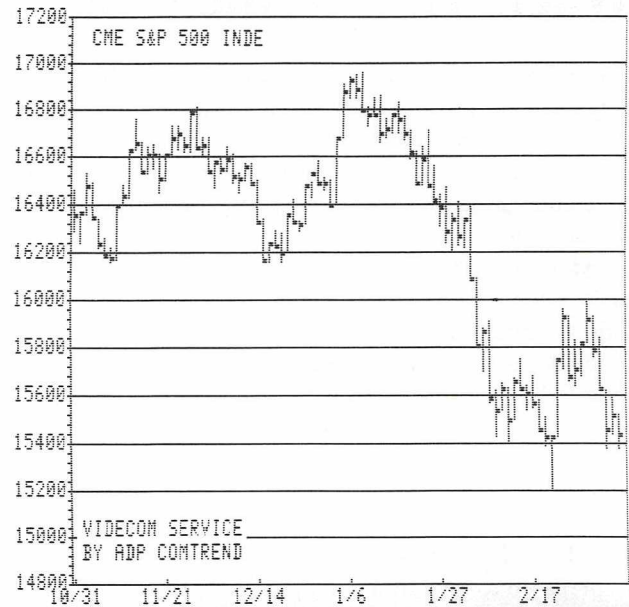
STRATEGY: Short positions have been covered as per last month's 30.50 stop suggestion. Remain sidelined but be prepared to reinstate short position on dramatic strength.

Stock Indices

On the way down to 1114 on the Dow and 152 on the S&P 500, the market became oversold, but not enough to say that the longs had thrown in the towel. Pessimism, as evidenced by our odd-lot short seller, rose but not enough to write home about. More significantly, the Dow Industrial and the S&P 500 recorded upside weekly reversal on the week ended February 24. During the following week, an opportunity arose to reverse this bullish development (i.e., by recording a *downtide* weekly reversal), but it did not come to pass. Subsequently, the market has been weak but *extremely dull*, a sign perhaps that the beast wants to rally before it embarks on another meaningful leg down. Significantly, the background news has been downright bearish as bonds collapse under the weight of anticipated heavy financing needs.

STRATEGY: We look to sell sharp rallies, which could possibly be triggered by encouraging news out of Washington regarding a compromise on plugging the fiscal deficit. For the moment, remain *sidelined*.

Chart 12



Precious Metals

Precious metals continue to dance to the tune of the foreign exchange markets. The weaker dollar has been entirely reflected in the price of bullion, which in recent weeks has recovered approximately 10%. If this observation has been correctly interpreted, we may conclude that gold's private bear market has come to an end and *that any further weakness will be associated with the rising value of the US dollar, when and if it comes to pass*. Should the dollar rise an additional 16%-18% from these levels (our minimum expectation), gold would trade down to the \$325-\$340/oz. area. Silver's recovery has been more dramatic — a function of its relative "cheapness" vis à vis gold (See Chart 15).

STRATEGY: Short positions have been reinstated and announced on the Hotline. Risk 419, basis June '84 Comex gold and 10.33, basis May '84 Comex silver, good anytime.

Chart 13

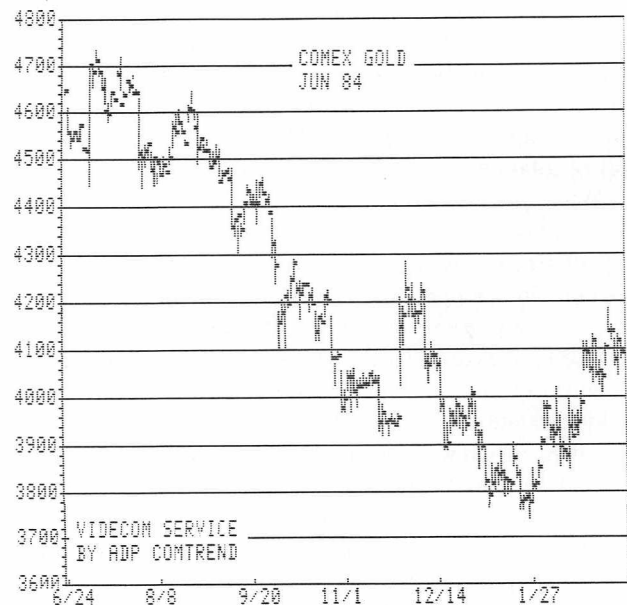


Chart 14

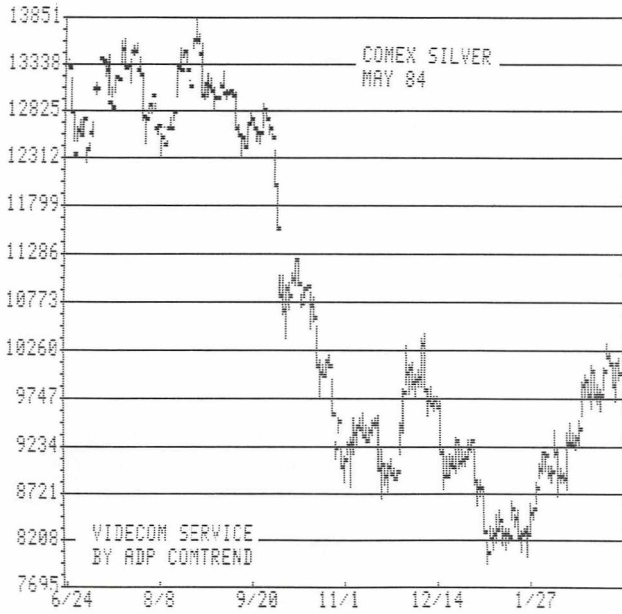
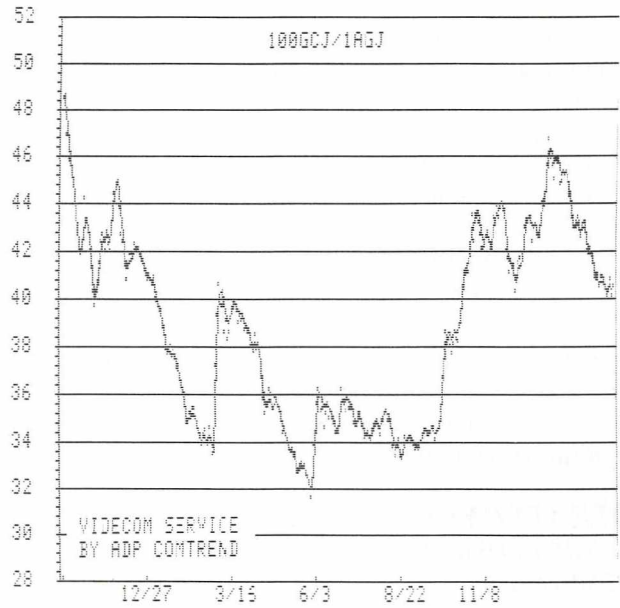


Chart 15

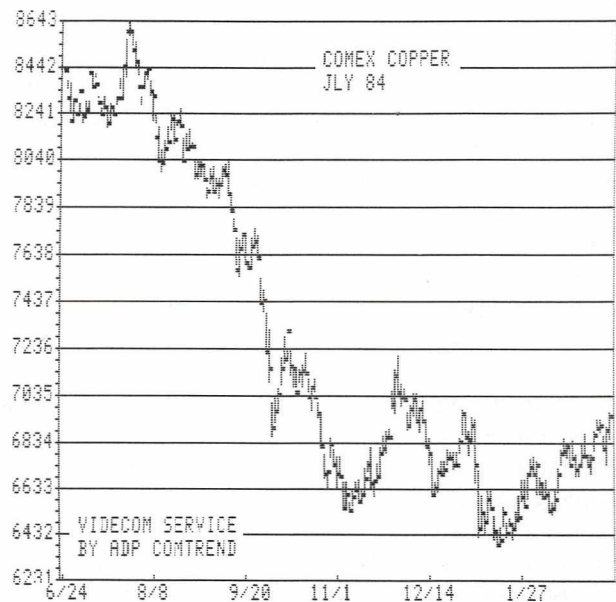


Copper

Buoyed by favorable economic news in the US, Japan, Germany, and the UK, and a substantial drawdown of LME stocks in recent weeks, Copper prices are continuing a steady but uninspiring recovery.

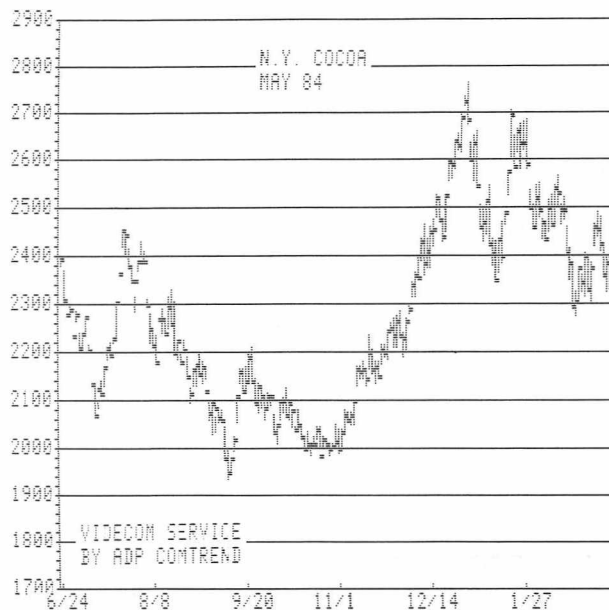
STRATEGY: Maintain buy stops at 67.50, basis March '84, close only or, if rolled over to July '84, at 70.00, close only.

Chart 16



Cocoa

Chart 17



Can it be true? A small world cocoa surplus in 1984? We doubt it, given the cyclical nature of supply and last year's problems, most notably in the Ivory Coast, as well as Ghana, Nigeria, Brazil, and Ecuador. The USDA anticipates a small drawdown of 60,000 tonnes in world stocks in 1983-84 (October-September) from a crop of 1,580,000 tonnes, following a drawdown of about 130,000 tonnes in 1982-83 from a crop of 1,530,000 tonnes.

As the condition of cocoa groves in the main producing nations becomes apparent in 1984, we expect that the market will eventually anticipate a change in trend towards an increasing, rather than decreasing, cocoa deficit from last year. For this reason, we would begin adding to long positions in cocoa futures.

STRATEGY: Add lightly to existing long positions, now rolled forward to May cocoa, at the market, retaining stops at 22.80, close only.

Grains

Grains have sprouted up impressively in the past two weeks. A good portion of this strength has resulted from a recent trend to a weaker US dollar. Although we suspect that US dollar strength will be maintained, our opinion is that grains will outperform the US dollar over the next several months.

Prospective plantings for 1984 were very bullish for soybeans, slightly bearish for corn. Bullish sentiment has prevailed, however. In addition, we believe that until recently, with improving grain prices, the market reflected traders' optimistic assumptions; that is, that too many things were expected to go as planned in 1984. For example, as we mentioned last month, and as supported by initial production prospects based on the February 16 USDA survey of planting intentions, it is unlikely that soybean carryover for 1984-85 will increase to much more than 200 million bushels from the current estimate of 150 million for August 31, 1984, given average yields. Other optimistic assumptions include:

1. Strong export demand for US corn and soybeans has been expected to dwindle as the season progresses. But when? In the first months of 1983-84, to March 1, exports of corn for the season totalled 903.6 million bushels, 3.3% ahead of 1982-83, and 15.7% ahead of the weekly average export pace to meet the USDA's export forecast of 1,875 million bushels. This, in spite of total 1983-84 supplies 30.3% below those in 1982-83;

2. Domestic demand is also very strong, owing to large live-stock numbers in the fall 1983 and winter 1984 seasons. Hog producers have apparently been feeding 1983 payment-in-kind corn freely to hogs, treating it as "no cost" feed;
3. Amenable weather during the 1984-crop season;
4. Plentiful foreign supplies of grain. In fact, the Soviet 1983 grain crop estimate was reduced to 195 million tonnes from 200 million with an accompanying increase in forecast imports to 31 million (including 20 million of wheat and 10 million of coarse grains) from 30 million earlier. Also, the South African corn crop estimate was reduced by the USDA to a drought-devastated 4.5 million tonnes from 7.0 million previously. Last season saw only 4.3 million, also badly damaged by drought. This compares with over 10 million tonnes anticipated only three months ago and the record 14.6 million tonne crop in 1980-81. South Africa may need to import almost 4 million tonnes of corn in 1984, largely from the US. Brazilian crop estimates have also been reduced, owing to dry weather during their growing season.

On the other side of the coin, negative factors include production increases in China and the Southern hemisphere (Argentina, Australia, Brazil — higher than 1982-83) as indicated in Chart 18. However, US export demand for corn remains exceptionally strong; export demand for soybeans is very good in view of limited supplies; and domestic consump-

tion of corn, soybeans, and wheat is also very strong.

The bullish case is strong. While the February 16 plantings intentions will certainly change, they are the best available data to indicate 1984 production prospects. In any case, land use plans, seed and fertilizer purchases to date (including late 1983 purchases for tax reasons), and the basic pattern of the agricultural industry *not* to deviate drastically from its original plans in a short period of time, make the February 16 figures a reasonable estimate of 1984 plantings. The sign-up period for participation in acreage set-aside programs, including the PIK program for wheat, has been extended to March 16 as an encouragement to greater participation. In addition, a US Senate committee has proposed changes to the 1984

wheat program to make it more attractive to farmers, in the hope of reducing the excessive wheat carryover, but is unlikely to be passed by both the Senate *and* the House of Representatives.

STRATEGY: Remain long November soybeans as recommended around 7.05 on our February 17 hotline update, following the February 16 plantings intentions report (Chart 19). Raise stops to 7.05, stop close only. Add to long positions in grains by buying May corn at the market and again at 3.38, placing stops at 3.25, stop close only, and by buying May soybeans at the market and again at 7.70, with protection at 7.35, close only, basis May.

Chart 18

SELECTED WORLD GRAIN PRODUCTION ESTIMATES - March 9, data.
(Million metric tonnes)

		1983/84		1982/83
		3/9/84	2/10/84	
Wheat	U.S.	66.0	66.0	76.5
	China	81.0*	80.0	68.4
	USSR	78.0	80.0	86.0
	Argentina	11.7	11.7	14.5
	Australia	21.4	21.4	8.9
Coarse Grains	U.S.	138.0	138.0	254.6
	Canada	21.3	21.3	26.7
	W.Europe	85.6	85.3	93.6
	E.Europe	65.1	65.1	71.8
	China	93.0	90.0	86.0
	USSR	105.0	108.0	86.0
	S.Africa	4.5	7.0	4.3
	Argentina	19.3	19.1	18.1
	Brazil	21.0	22.0	19.9
	Australia	9.3	9.3	3.8
	India	30.9	30.9	27.9

* record

Chart 19

FEBRUARY 16, U.S.D.A. PLANTING INTENTIONS REPORT - February 1, data.

	(Million acres)	Actual 1984	expected 1984	1983	1984	1982	1984	1981
					1983%	1982%	1982%	
Corn	81,766	80,42(79-84)	60,194	135.3	81.9	99.8	84.2 (record)	
Soybeans	65,240	69,31(66.9-71)	63,480	102.8	72.2 (record)	90.4	67.8	
Cotton	10,759	(11.6-12)	7,961	135.2				

Chart 20

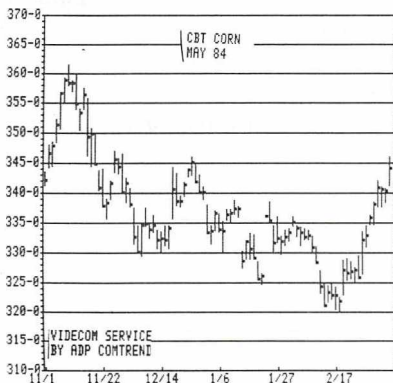


Chart 21

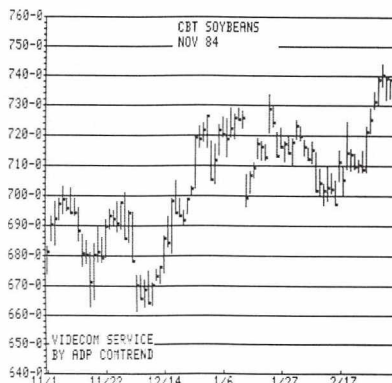
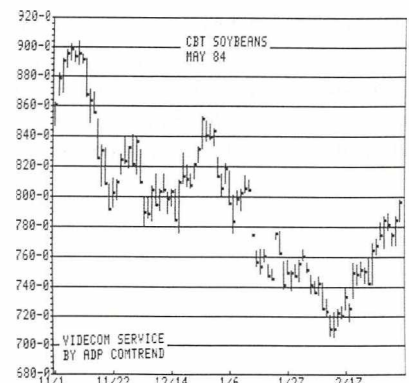


Chart 22



Livestock

Last month we suggested that livestock prices would stay in a short-term downtrend of several weeks, although we said that "we expect the general uptrend in prices that began in November 1983 to resume." We were correct on the latter account; cattle futures have shot to new highs in each of the past two weeks. Similarly, hog futures have rebounded from their lows, but haven't come close to new highs. The multi-week downtrend we expected last month was based on rising slaughter and improvements in the weather. The former came to pass; slaughter has been rising seasonally for both hogs and cattle. However, the weather remained a dominant factor. Far from improving in February, old man winter handed most of the north-central US the worst storms of the year. From a supply-side point-of-view, meat supplies have been seriously cut by weather.

Looking at the overall supply situation clouds the issue, though. Daily average hog slaughter in February 1984 was roughly 5.7% above February 1983. Cattle slaughter in the same period was about 8.5% higher for 1984 than 1983. (The extra day in February 1984 skews total production data, but not daily average numbers.) In fact, in the early part of March, to date, the supply situation becomes more ominous. Hog slaughter has been about 8% higher than 1983, while cattle slaughter has risen to approximately 14% above the early March 1983 level. Surprisingly, cattle prices at the end of last week were 10.5% *above* those at this time last year (basis April futures), while hog prices are, remarkably, 10.1% *below* 1983 (basis April futures).

Why the anomaly? Retailers have taken contrasting attitudes to pricing of pork versus beef. Wholesale-to-retail pork profit margins have been raised substantially since the end of 1983, resulting in retail pork prices higher than at the end of last year, while live and wholesale prices have dropped considerably.

In contrast, retail beef prices have not risen by nearly as much as the increases in live and wholesale prices should have implied. Retailers have chosen to feature beef, thus further inducing strong demand, which has been inspired by the advancing economy. They have failed to feature pork; even when pork has been featured at the supermarkets recently, demand has been surprisingly lackluster. As long as retailers maintain this policy, pork prices will suffer.

Recent developments, however, may serve to extinguish that likelihood. Retailers may soon be forced by price struc-

tures to feature pork and stop featuring beef. As we mentioned last month, the high hog-slaughter-to-inventory ratio continues, with strong evidence that hog producers have gone hog-wild at liquidating hog inventories. The available supply of market hogs as indicated by the December hog report was only 4% above the year-earlier period, but slaughter in December 1983 to February 1984 appears likely to be up 13% from the same season a year ago. With this logic, the available supply of market-weight hogs must be drying-up. We expect a sharp fall in daily slaughter levels to or below 300,000 head within four weeks.

We'll be able to better analyze supply prospects for hogs through 1984 following the release of March 20 quarterly 10-state USDA hog report. Early expectations are indicated in Chart 23. Percentages of previous years' levels are not only very much below the 1983 figures for March 1, but also well below the numbers for March 1, 1982, which led to the summer 1982 bull market.

The February USDA cattle-on-feed report is shown in Chart 24. The placements figures were quite bearish, and the marketings figures were somewhat negative, but the market has sloughed off the implications of the report and advanced very strongly. The USDA releases its March cattle-on-feed report March 14. Placements again promise to be substantially above 1983 levels, and could contribute to the ultimate demise of the cattle market for several weeks, following its traditional winter strength.

STRATEGY: *August feeders were repurchased at 66.25 and have advanced well in the past three weeks. Place stops at 66¢, close only. Maintain long August feeder cattle/short August live cattle spreads, risking a close below 200 points, premium the feeders. Long positions in June hogs should have been maintained with stops at 50¢, close only, but readers may not have received our revised stop information early enough to lower them from 51¢, close only, which was triggered by a snout (nose) on February 14. Buy orders in July hogs at 52¢ to double long hog positions were missed by 20 points.*

Based on our analysis of the likelihood of retail featuring of pork in the next few weeks, instead of beef, and the prospect of sharply declining hog slaughter in the near future, we advise maintaining long April hog/short April cattle spreads. Follow our hotline for advice on when these positions should be rolled forward.

Chart 23

EARLY EXPECTATIONS FOR MARCH 20 U.S.D.A. QUARTERLY 10-STATE HOG REPORT

(million head)	1984	1983	1982	1984, 1983%	1984, 1982%
total hogs on farms-March 1	39,247	41,640	40,610	94.3	96.6
kept for breeding	5,452	5,913	5,578	92.2	97.7
kept for market	33,795	35,727	35,032	94.6	96.5

Chart 24

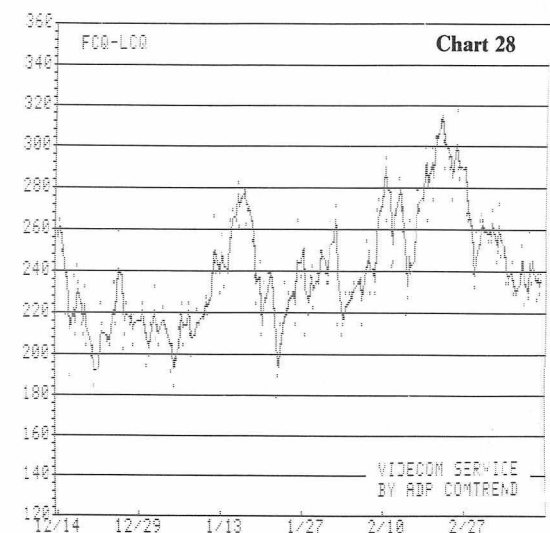
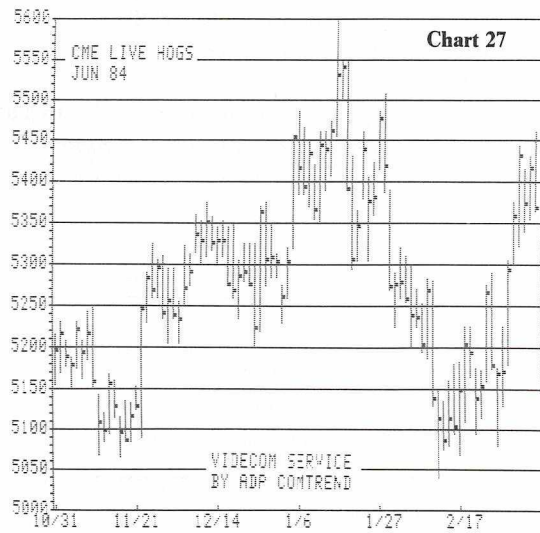
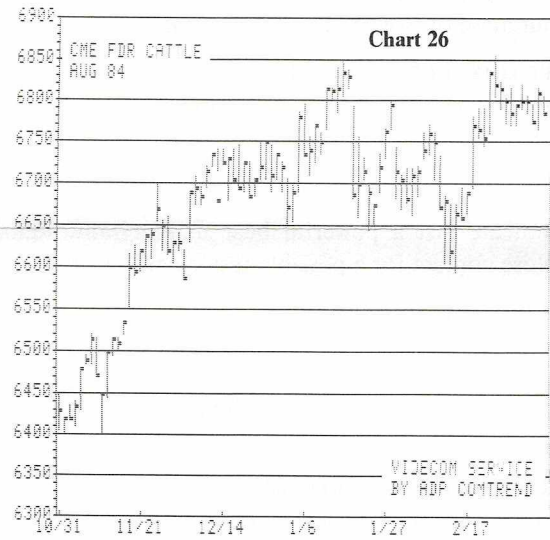
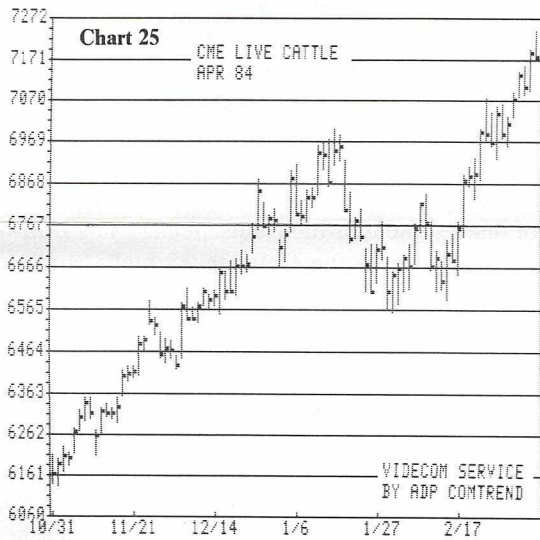
U.S.D.A. FEBRUARY 14 SEVEN-STATE MONTHLY CATTLE ON FEED REPORT

February 1 data (thousand head)

	1984	1983	1984, 1983%	expected
on feed - January 1	8,006	8,316	96.3	
placements during January	1,566	1,494	104.8	101.5 (94-105)
marketings during January	1,569	1,628	96.4	97.5 (93-101)
other disappearance during January	86	130	66.2	
on feed - February 1	7,917	8,052	98.3	98.2 (97-100)

*- includes death losses, movement from feedlots to pasture, and shipments to other feedlots for further feeding.

Source: U.S.D.A.



Last Month's Hotline Updates

Friday, February 17

We consider the February 16 USDA plantings intentions report to be very bullish for March soybeans; however, initial reaction to the report seems subdued, owing to what analysts are calling a demand-based market. We would buy November soybeans at the market, risking a close below 6.50. Please note that this is a high-risk trade.

You should have received the *Friedberg's Commodity & Currency Comments* of February 12. As promised in the letter, we advised in a flash update this morning the purchase of November soybeans and advised a stop at 6.50. You should have bought the November soybeans around the opening range of no higher than 7.07.

Thursday, February 22

There is only one change to our February 12 *Comments*. We have advised, as of February 17, 9:45 a.m., the purchase of November soybeans with stops at 6.50.

Friday, February 24

Weekly reversal in the Dow Jones Industrials and the S&P 500 have been completed and all short positions should have been covered as per newsletter advice. Quality of rally and high degree of bullishness may indicate just a powerful bear market rally. Remain in close contact for a possible resale early next week.

Tuesday, February 28

With the March S&P now standing at 159.05 and June S&P at 161.05, we advise reinstating short positions at market. Initial stops should be placed 300 points above present levels.

Tuesday, February 28

We reinstated our short position in the March and June S&P futures at approximately 159.00 and 161.00, respectively. Stops should be placed at 162.00, basis the cash index. A new recommendation is to reinstate short positions in April gold and May silver, should they open lower tomorrow morning Wednesday, February 29. We repeat, sell gold and silver only if they open lower on February 29. If you execute the short sales, place stops at 405.20, basis April and 10.12, basis May, good anytime.

Friday, March 2

Cover short positions of the S&P, taken as per our flash update of Tuesday, February 28. Once again, remain in close contact for possible change in direction. Our sale advice of Tuesday, February 28 in precious metals was not triggered; consequently, remain sidelined.

Tuesday, March 6

The only change from the February 12 report is that you are now long the November soybeans with stops at 650 as of February 17.

Thursday, March 8

1. Reinstate short positions in June gold and May silver, risking 419.00 and 10.33, respectively, good anytime.
2. If you were stopped out of the French franc and Japanese yen positions as per the December newsletter advising stops above October highs, you are urged to reinstate these at the market. We prefer, however, to sell the Deutschmark at this time. So unless you have a commercial reason for being short the French franc and Japanese yen, replace stopped out Japanese yen and French franc short positions with Deutschmark short sales. Place stops at 3995, basis June, good anytime. As a matter of interest, neither the Deutschmark nor British pound futures bettered the October '83 highs, and we therefore consider not to have been stopped out.
3. Remain short the Canadian dollar.

Friday, March 9

We are going to give you a summary of the trading recommendations since the last newsletter.

1. Commercial accounts have resold Japanese yen and French francs with stops at the highs of Tuesday, March 6. Speculative accounts are short additional June Deutschmarks at around 39.23 as per Thursday's flash update with stops at 39.95, good anytime.
2. You are short June gold and May silver with stops at 419 and 10.33, respectively, good anytime.
3. You are flat the S&P futures.
4. You have been stopped out of the crude oil futures as per the February *Commodity & Currency Comments*.
5. You are long November soybeans as per February 17, update.

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