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COMMODITY COMMENTS

October 7, 1971

N.Y. SILVER

Spot 134.50
December '71 135.80
Comex Warehouse Stocks 117,890,000 + 700,000

We said last week that we would certainly become concerned if the open interest continued to rise while volume remained sluggish and prices drifted laterally. This is so as worthwhile advances can only take place from thoroughly oversold conditions.

At approximately 41,000 contracts open interest remains fairly high especially in view of the decline experienced in the past month. It should not come as a surprise then the sharp 610 - 700 point drop on Monday and Tuesday of this week. Even more ominous is the lack of volume on the downside which one would hope would signal the end of the plunge.

On the fundamental side, warehouse stocks seem to have stabilized around the 117,000 - 118,000 oz. mark but there are still no signs of a pick up in consumer demand. The (1965 Coinage Act obligates the Treasury to pay \$1.25 an ounce) for silver refined from domestic ore mined within the previous 12 months. In Washington, Treasury officials have newly printed forms to handle the expected trade but, of course, with spot prices at around \$1.33, no offers have yet been made at \$1.25.

The bear market's end is not yet in sight either pricewise or timewise although present sharply oversold conditions should sooner or later give rise to good-sized trading rallies. Traders should be cautioned, however, that there are few deadlier games than looking for bottoms in extended downtrends.

U.S. SILVER COINS FUTURES

October '71 1094
January '72 1111
Premium over Jan '72 bullion equivalent 12.8%

The safety feature of these futures contracts can be seen in their

ever-widening premium. We should note, however, that at 12.8% premium, the coins have lost a great deal of their attraction to anybody but long term investors.

The contract consists of \$10,000 face amount of U.S. Silver Coins in the form of half dollars, quarters, or dimes contained in ten bags of \$1,000 of face value each. Each \$1,000 in face amount of U.S. Silver Coins contains approximately 720 fine troy ounces of silver. In essence, then, an investor who is buying one Silver Coin Futures Contract will enjoy a limited risk (as the bag cannot fall below its monetary value of \$1,000 no matter how low silver goes) while at the same time he should benefit from a rise in the price to the tune of \$7.20 per bag for each 1¢ per oz.

Open interest now stands at 2271 continuing its uninterrupted rise. This and the large premium are making this market a bit more vulnerable to disappointment than of late.

COPPER

Spot	46.65
December '71	47.20
London Warehouse Stocks	128,050 + 3300

Market sources expected an increase of 2,000 to 3,000 tons on Monday, Instead, a rise of 3,300 tons, sent London to the lowest level since 1967 as spot reached £401. Comex followed suit with spot touching 45.80 (5 points above its January lows) and December '71 46.35 (50 points above its January lows).

There is no reason to believe that the New York chart pattern should hold any more promise that the exactly equal counterpart in London. Indeed, all it takes is a slight drop in the lofty levels attained by sterling vis à vis the U.S. dollar (yesterday 2.4930) to break the last remnant of support in this feeble looking price structure.

Continue to sell short aggressively with protective stops at 4850 basis December '71.

GOLD

London's Second Fixing 42.45

Senator Javits and Representative Reuss Thursday introduced a Congressional Resolution as the first step toward authorization permitting President Nixon to change the price of gold. In a joint statement, Javits and Reuss said, "It has become clear to us that settlement of the present international economic and monetary crisis is not possible unless the U.S. agrees to a change in the par value of the dollar".

Secretary of the Treasury Connally stated to the IMF however, that "a change in the gold price is of no economic significance and would be patently a retrogressive step in terms of our objective to reduce, if not eliminate, the role of gold in any new monetary system".

And so the controversey goes on.

From a trading point of view, we would tend to be sellers on strength.

PLATINUM

January '72 113.20

Support is still evident in the 109.00 - 112.00 area. Remain neutral until a decisive penetration of the present trading range can be seen.

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We will be glad to answer questions that you may have concerning futures trading and how you can profit through intelligent speculation.

Albert D. Friedberg, M.B.A.