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## FRIEDBERG & CO. LTD.

U.S. CORRESPONDENT: MOCATTA METALS CORPORATION  
CLEARING MEMBER OF LEADING COMMODITY EXCHANGES

### COMMODITY COMMENTS

June 29, 1971

#### SILVER

N.Y. December '71 164.50  
Chicago October '71 161.00

Comex Warehouse Stocks continued their upward climb throughout last week and finished at 116,282,000 ounces on Friday. During the month of June stocks have posted a cumulative increase of about 5,900,000 ounces.

The Mexican Government reportedly may call an international meeting on silver market conditions, possibly to lay the groundwork for an agency similar to the United Nations Lead & Zinc Study Group. Any progress in this area is expected to be slow and arduous.

A delegate attending the meeting of producing countries in Mexico last week said that India sold an estimated 35 million ounces of silver last year (Wall Street Journal, June 25). For those interested in statistics, that is better than one third the world's silver gap between production and consumption. Furthermore, 35 million ounces represents less than one half of one percent of the estimated hoard held by Indians.

Early last week silver prices tested once more their January lows and, except for a brief 30 point penetration in the December contract, prices held right above their support levels. Market participants drew some encouragement from this action and over the next few sessions prices were marked up 3 cents in rather moderate trading. One could not help feeling that the febleness of the rally as evidenced by its low volume, small distance covered and failure to fully cover the upside gap lying between 169.00 and 166.90 basis December was merely the last dying gasp of an exhausted market.

Last week we said that we thought prices would break their January lows and thus initiate an important downside move, perhaps before the week was over. While New York Silver held today just above 164.00 by closing at 164.50, Chicago Silver made a new low by breaking definitively and conclusively their January lows: October '71 closed at 161.00 after being as low as 160.00 vs. its support at 162.00. Chicago Silver is giving way under the huge weight of tired longs. It should not be long before the New York market confirms the bear move.

Increase you short position on any rally above 164.00 basis December or on a fast breakaway below 163.50. Intermediate objective remains at 143.00 - 146.00 basis December.

U.S. SILVER COINS FUTURES

January 1225

As silver prices move lower, these Silver Coins Futures contracts become increasingly attractive. The best proof of this contract's usefulness and acceptability is its continuously rising open interest, now at 1333.

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 buying one Silver Coin Futures Contract will enjoy a limited downside risk (as the bag cannot fall below its monetary value of \$1,000 no matter how silver goes) while at the same time he will benefit from a rise in the price of silver to the tune of \$7.20 per bag for each 1¢ per oz. of silver.

At 1225 basis January, the premium over its silver bullion equivalent is only 2.6% - a rather modest premium to pay for a limited downside risk.

We recommend the purchase of Silver Coins Futures at 1050-60 basis January when silver reaches our objective of 143.00 - 145.00 basis December, as we expect.

COPPER

September 48.45  
December 49.05

Chile's large copper mines produced 40,522 metric tons in May, compared with 47,586 tons in April and 42,090 tons in May 1970. Output for the first five months of 1971 was 221,974 tons, still 13,388 tons greater than the same period last year.

As far as the market is concerned, the only thing we can say is that in spite of the huge LME warehouse stocks and the possibility of an immediate labor settlement before Wednesday's midnight deadline, we can't get overly bearish.

We have no definite trading suggestion at the moment.

GOLD

London's Second fixing \$39.95

Prices reached a high of \$40.40 this past week on news that the U.S. gold stocks in May were \$10.57 billion, down \$360 million. This represents the seventh consecutive monthly decrease and the sharpest since December.

Since 1960 the German DM has been revalued close to 20% vis a vis the U.S. dollar, while gold prices in dollar terms have only increased \$5 or 14.3%. The logical conclusion is that gold prices in DM have dropped approximately 5%. The same can be said, in varying degrees, for Switzerland, Netherlands, and Austria. One can now easily comprehend why demand is soaring the world over. There aren't that many assets that depreciate in value by 5% over an 11 year period.

PLATINUM

January 113.60

Open interest now at 5259 is declining if ever so slightly and, this, we believe is a healthy development. We suggest that the current open interest figures are heavily infalted by switches and therefore do not provide as meaningful an indication as it would otherwise of the highly oversold state of the market.

*VNB*  
One should remember that bad news, low volume and narrow price movements, are the stuff with which long lasting bull markets are made. For the short term, however, we expect prices to remain on the defensive. A partial test of the April lows should not be surprising and would constitute a good buying opportunity.

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Friedberg & Co. Ltd. conducts a brokerage business in commodities futures specializing in metals. Our U.S. Correspondent, Mecatta Metals Corporation is a clearing member of leading U.S. commodity exchanges and specialists in silver, copper, platinum, gold and other non-ferrous metals. Through their facilities and other trade and banking sources, we maintain up to the minute information on the world's latest developments that may effect the price structure of metals.

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.

