

## FRIEDBERG & CO. LTD.

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

### COMMODITY COMMENTS

July 27, 1971

#### N.Y. SILVER

Spot	155.80
December '71	160.40
March '72	164.00

Silver prices stabilized this past week in rather light trading indicating that a momentary pause, and perhaps as much as a recovery, may be in the making. The immediate cause for the healthier tone of the market may be found in gold's recent strength and all that it implies about a flight from paper money.

Let us state our case clearly: We believe that silver is still in a long term bear market and that its ultimate lows may be reached around the \$1.25 area basis spot. We also believe, however, that - as is normal in any bear market - reactions occur from time to time that test the fortitude of the bears but that reward handsomely the agility of perceptive traders.

When do such reactions occur? Generally rallies take place after the market reaches a deeply oversold condition, the persistence of selling pressure takes the form of a monotonous affair and volume fails to expand significantly on making new lows. All this within the framework of general despondency. Reactions tend to be rather sharp and generally are triggered by a piece of favorable news. In our view, silver fits this description and is a good candidate for a sharp reaction.

How far might this reaction go? Rallies in bear markets (and dips in bull markets) tend to retrace from one half to two thirds the preceding move. In view of the 27¢ drop from the April highs, a recovery of 12 - 14 cents from the lows registered last week may not be unusual.

During the past week, silver touched new contract lows on Tuesday, July 20 on 1730 lots including 136 switches. In the next 2 sessions prices recovered about 300 points on moderate trading and subsequently fell back in the next two days to close at 16040 today on just 870 lots.

Strategy - Trade market from the longside risking the contract lows.

Important - Should the contract lows be broken, reinstate short positions at the market.

## U.S. SILVER COINS

January	\$1197
Bullion equivalent	\$1163
Premium:	2.9%

Even though bullion prices closed unchanged for the week, the U.S. Silver Coins rose slightly to increase the premium from 2.6% last week to 2.9% today. No doubt, a great many people are trying to play it safe.

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 low silver goes) while at the same time he will benefit from a rise in the price to the tune of \$7.20 per bag for each 1¢ per oz. of silver.

Long term silver bulls with an aversion for high risks would be well advised to consider these futures.

## COPPER

September	49.25
December	49.40

While progress is being made towards an overall settlement of the copper strike, the prevalent view is that prices have overdiscounted this possibility and that the upside potential is greater than the risk at present prices. Bulls are counting on a producer's price increase to offset higher labor costs and large expected expenditures to conform with stringent air and water pollution regulations. Also, they claim, a USW walkout from the current steel negotiations may cause some snags in present copper tentative agreements and imperil final settlement. The deadline in the steel industry is Saturday, July 31st.

In other news, Free World refined copper stocks dropped 43,602 tons in June with the bulk of the decline, or almost 40,000 tons, occurring in inventories held in the United States.

Total Free World refined copper inventories on June 30 this year amounted to 380,169 vs. 423,771 tons in May and 345,143 tons in June '70 according to the Copper Institute.

Strategy - Trade from longside risking 4800 basis December and accept profits at 5180. Market remains very volatile and commitments should only be begun by traders willing to accept above average risks.

GOLD

London's second fixing 41.75

Today's fixing was the highest fixing level in two years and represents an unusual advance of more than one dollar per ounce in the past week.

It was reported late today that the U.S. gold stock declined \$61 million in June to \$10,507,000. This represented the eighth consecutive monthly drop and put total reserve assets at the lowest level since the \$13,138,000,000 in August 1938.

We recommended gold last week crossing \$41.20. We still think traders could buy it at these levels for a challenge of the March 1969 highs before the end of August.

PLATINUM

January '72 116.10

Vin Makin, president of Mattley Bishop, told the California Air Resources Board that "there is an abundant platinum ore reserve available" for use in auto pollution control devices, conservatively estimated at 200 million troy ounces of platinum. This ore reserve could be exploited to provide the yield required within 2½ to 3 years.

Employing 35,000 people Rustenburg provided 70% of the 1.4 million ounces of platinum available to use in the Western World during 1970. If the automobile industry adopts platinum as the catalytic answer for all modes, the amount of platinum required per year for this purpose in 1975 has been projected to equal current annual usage.

Be that as it may, we're very bullish in platinum. A perfect ascending right angle triangle has just been formed and prices are trading very close to the apex of the triangle. A decisive move is expected within two weeks.

Strategy - Buy at the market or on a breakout above 118.00. Risk 114.00; reward 130.00.

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Friedberg & Co. Ltd. conducts a brokerage business in commodities futures specializing in metals. Our U.S. Correspondent, Mocatta 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 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.

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