

## FRIEDBERG & CO. LTD.

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

### COMMODITY COMMENTS

August 10, 1971

#### N.Y. SILVER

Spot	161.50
December	165.70
March	169.40

A large increase in Comex Warehouse stocks, 692,580 oz. to 116,577,000 oz., did little to arrest the upward climb of silver prices. The three most influential factors responsible for this bullish behavior are: a deeply oversold condition, a large concentration of bear positions at the July lows and into the ongoing rally and the international currency crisis as reflected by the strength of gold and the worldwide pressure on the U.S. dollar.

A few weeks ago we expressed the opinion that the present rally may extend itself 12 - 14 cents from the July lows. As the technical picture is beginning to unfold, we would dare to say that the upper range of our estimate seems to bear a great deal of merit. Indeed, the inverted 6 weeks long head and shoulder that has been traced measures an upward thrust to the 17300 - 17400 area basis December. Confirming this target is the still - untouched 2½ year downtrend line which for the month of August has a lid at 17300 - 17400 basis December.

Incidentally, this coming Friday, August 13th. an article will appear in the American Metal Market which may have a profound impact on the silver market. Essentially, this article will be a very brief summary of an in-depth study soon to be released entitled "Silver in the Seventies : a dynamic approach to price forecasting" which I am proud to have been co-author. Copies of the article will be available free of charge but on request only.

A rally last Wednesday to the 166.00 - 166.40 area basis December failed to follow-through and for the next 2 sessions prices retreated on rather moderate volume. A new attempt was made today to cross 166.40, but prices closed at 165.70 up 140 points after reaching 166.30.

Strategy - Continue to add to long positions on dips. Begin selling December at 170.00, on a scale up.

## U.S. SILVER COINS

January	\$1241
Bullion Equivalent	1202
Premium	3.2%

Open interest at 1237 remains little changed from last week. In the meantime, silver coins have been moving up in step with bullion prices and the premium has remained constant.

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 and a penchant for numismatic value would be well advised to consider these futures.

## COPPER

September	50.10
December	50.55

Prices have remained in a narrow range for the past week in rather light to moderate trading. The contango continues to widen with March '72 at 110 points over September '71 and September '72 at 200 points over September '71 indicating ample present supplies.

Long positions should continue to risk 48.40 basis December '71.

## GOLD

London's Second Fixing \$43.94

Gold today reached the highs achieved during March 1969 and traded briefly at the \$44 level, a new postwar high.

We first recommended gold at \$41.20 and again at \$41.85 and advised some profit taking at \$42.80, on a scale up. The market is becoming increasingly speculative and any piece of adverse news can create a sharp break in prices.

It is becoming apparent that a do-nothing attitude on the part of the U.S. Government will only succeed in raising the already feverish level of speculation. One may then very well ask what can the U.S. do to stem this crisis?

- Last week we listed 3 possible measures:
- A) A raise in the Federal Reserve Discount Rate with repercussions on the Eurodollar rate, now 6 9/16% for 6 months;
  - B) further freezing of dollar holdings of foreign Central Banks;
  - C) further dollar controls.

We are beginning to toy with the possibility of the U.S. closing the gold window to foreign Central Banks. While the short term impact may be quite bullish, we cannot see large foreign Central Banks 'chasing' gold at over \$45 per oz., if only because such a major component of their reserves will have no fixed value. It is true that presently their dollar reserves also have no fixed value but their maximum potential depreciation is probably no more than 5 - 8% while they earn a return of about 6 - 7% per year.

Continue to sell on a scale up.

#### PLATINUM

January 118.00

Monetary jitters are providing this market some support after a vicious one-day liquidation set in last Tuesday that took prices down to 111.00 basis January '72 on 2616 lots including 1150 switches. Commission house selling set off stops taking the market 650 - 800 points down in early afternoon. Prices recovered partially by the close on trade buying and shortcoverings.

The technical structure of the market has been heavily damaged and we would therefore await on the sidelines.

A move above 120.50 basis January '72 would give us the signal to initiate new long positions.

\*\*\*\*\*

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.