

## FRIEDBERG & CO. LTD.

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

### COMMODITY COMMENTS

August 17, 1971

While currency readjustments and high - level consultations will continue for the next few weeks, we believe that the great monetary crisis that began in April has practically come to an end.

In the first place, the temporary suspension of full convertibility of U.S dollars into gold for foreign treasuries and central banks makes explicit what has in fact been implicit.

Secondly, Europe has shown a certain willingness to upgrade the U.S.'s competitive position rather than risking a depression in international trade. The upward floating of European currencies (and, hopefully, Japan's) added to the 10% import surcharge, should give the U.S. a total 15% benefit, enough to return it to a healthy surplus in its balance of trade. Unfortunately, the United States' precarious balance of trade position acted as an escape valve for its huge domestic inflationary pressures and this will no longer exist. As a result, we foresee a great inflationary boom in the U.S. in the years ahead.

Finally, the reduction in federal spending and taxes and the 'purely cosmetic' (as Milton Friedman put it) wage and price freeze are having and will continue to have a great psychological effect.

We said last week: "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." Last night, President Nixon reasserted United States' world leadership in an unequivocal manner. The fever is gone. The convalescence period has set in.

### N.Y. SILVER

London Spot 66.80 p  
Unofficial N.Y. dealings: December '71 166.50-168.00  
up 350 - 500 pts.

The New York and Chicago silver markets were closed for today and may remain closed a few more days. The reason given for this action is the need for clarifying whether a free silver market (as well as copper and platinum) violated the Nixon-imposed price freeze. One would think that a

futures market is above such earthy considerations!

In unofficial dealings in New York, silver opened 500 points higher than Friday, indicating an apparent \$2.46/1£ dollar/sterling ratio. Towards the close, the 'market' was still showing a \$2.44/1£ ratio as prices were bid in the 166.50 area basis December. We took the position that the basic sterling/dollar parity was not likely to be affected and, therefore, silver represented a good sale at 350-500 points up.

Where do we go from here? As we stated earlier, we believe the monetary crisis is practically over. This would mean that the longer the exchanges remain closed, the cooler will be the resumption of trading and the smaller the anticipated rise. Slowly, the markets will begin reacting to their own supply - demand outlook and, then, silver will resume the bear trend which has characterized it for the past 3 years. As we pointed out in the article appeared last Friday in the American Metal Market, speculative bullion holdings run in excess of 400 million ounces while this year's gap between supply and demand is a mere 27.2 million ounces. Coin supplies can easily add another 400 million ounces to the market.

Strategy - Take profits on long positions on any good rise. Consider initiating short positions on a move below 161.90 basis December.

#### COPPER

Friday's N.Y. December '71 51.20  
Monday's London Cash Wirebars 457 +3£

Here again, the N.Y. market was closed and one had to guide himself on a particular sterling/dollar parity. On the basis of \$2.42/1£, September '71 works out to 50.17.

A slight uptrend has been formed and we now raise our protective stop sell to 49.90 basis December '71. Long positions should be closed at 51.80 basis December '71 and short positions should be initiated should prices break below 48.40.

#### GOLD

Friday's Second Fixing \$43.00

We suggested last week the possibility of the U.S. closing the gold window and we thought that while the short term effect of such an announcement may be bullish, we couldn't see higher prices down the road as Central Banks surely wouldn't be 'chasing' gold at over \$45 per oz.

If, as we think, Central Banks don't buy gold in the free market but rather accept a return of 6-7% per year on their greenbacks, then gold prices will stabilize and, then, recede to the \$38-\$42 area.

We would continue to sell on a scale up as we have been doing for the past 2 weeks.

PLATINUM

(Friday) January '72 117.00

This market looks extremely weak at the moment. The volume pattern is indicative of distribution.

Initiate short positions at these levels with protective stops at 120.50 basis January '72. A test of the May/June lows and possibly the April lows seems likely.

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We are pleased to announce that starting today we will be able to execute orders for clients in N.Y. and London. Sugar and Cocoa futures and options. Next week we will make some brief comments on these commodities.

Trading facts relating to Sugar & Cocoa and a put and call booklet are available on request.

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