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*that Garrison's article
on earnings yield to bond yield. in*

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

COMMODITY COMMENTS

September 22, 1971

The slide in metal prices continues unabated. Nickel, which was fetching over £7,000 a ton on the London "free" market at the end of 1969 is now selling at around £1100 a ton - a sizable discount from the £1246.5 price posted by producers. Aluminum at around £165 is considerably below its 1970 high of £257 and, again, at a discount from the producer price of £257.20. Quicksilver has halved in price to £105 a flask (of 76 lbs. each) since the beginning of last year and 'free' antimony is valued at £400 a ton at present from \$3,000 in early 1970.

Our readers are well aware of the continuing bear market in silver prices, now at four-year lows. The latest victim of the metals slide is copper (see below).

What has caused this mini-depression? While undoubtedly one can enumerate reasons that will explain the behavior of each metal some common denominators may give us a broader understanding of the 'metals picture'.

Among the chief villains is the longer than expected setback in the U.S. economy. The U.S. economic boom came to a halt, in our view, as far back as mid-1968. The vacuum in aggregate demand created by the faltering giant was partially taken up by the booming Japanese and Western European economies, particularly the former and the big spate of buying by the Communist bloc during 1969, where again the Chinese featured. These compensatory cyclical movements were masking what in our view and in retrospect, was an overblown but basically weak world economy.

The moment of truth came in early 1970 when slowly nation after nation entered a contractionary phase and shortage gave way to glut. Whether we talk about tanker rates, sulphur, lead or copper prices the situation is the same: oversupply facing weak worldwide demand.

What of the future? There is little doubt that the ongoing revaluations of the major currencies vis à vis the U.S. dollar will slow down, if not actually halt, the already creeping pace of growth in the major industrialized nations. The other side of the coin is the long range beneficial influence it will have on the U.S. economy by spurring increased domestic production and exports. We doubt, however, that the loss experienced in one pocket will be made up by the gain in the other; in simple economic terms, the multiplier effect on demand by increased production and exports in the U.S. as induced by a devaluation is not nearly as great as the contractionary effect on the rest of the world as induced by their revaluations. World economic recovery will be slow and will be paced by the

awakening of the slumbering U.S. giant.

And another worry creeps to mind: how much will world trade suffer from the current currency uncertainty?

In sum, a slow worldwide economic recovery paced by the U.S. but slowed considerably by foreign revaluations, a possibility of a slowdown in world trade if only as a consequence of uncertainty (a frightening word in the operations of a free market) and a basic oversupply condition in most 'goods' (to include, of course, metals) may cause the current gloom to thicken and exact a heavy toll on the more optimistic souls.

N.Y. SILVER

Spot	140.90
December '71	142.80
Comex Warehouse Stocks	118.100.000

Intermediate base-building action is continuing. We remain favorably disposed to the long side on dips with stops at 136.90 basis spot.

A note of interest comes to us from the latest Silver Institute Letter: "Silver has had a wide variety of vital applications in the space program. Because of their reliability, light weight, and small size, silver zinc batteries were used in Saturn 5 and Apollo 15 vehicles and powered the astronauts' life support systems when they were walking in space or on the lunar surface. The entire electrical system of Apollo 15 contained silver-plated wire due to its resistance to extreme temperature, chemicals, and fungi and its low proportionate cost, and the vehicle and life support systems used solid silver valves for the same reasons. In all, more than 5000 ounces of silver were used in the Apollo 15 mission."

U.S. SILVER COIN FUTURES

October '71	1115
January '72	1125
Premium over Jan. '72 bullion equivalent 8.7%	

This market has turned out to be an excellent trading vehicle for traders and investors with an aversion for high risks. A rising open interest, now at 2039 attests to its gaining popularity.

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 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 should benefit from a rise in the price to the tune of \$7.20 per bag for each 1¢ per oz.

This market is characterized by a visible lack of offerings. Rather than selling pressure, we witness professional mark-downs.

If you are interested in accumulating large positions by taking delivery of nearbys or by purchasing deferred contracts, contact us directly by calling COLLECT (416) 864-1195.

Traders are advised to purchase the January '72 at 1104 - 1109 or April '72 at 1128 - 1133 for short \$25 - 30 swings.

COPPER

Spot 47.85
December '71 48.25
London Warehouse Stocks 120,900 + 3,775

London, which initiated the bear move, is finding some support at £420 basis spot, roughly the equivalent of 47.60 basis December '71.

We expect the big downside break to come from London as the £420 area is penetrated and the January lows of £414.5 are tested.

Short copper aggressively with protective stops at 49.90 basis December '71 (49.40 at the end of this week) for a short term move to 46.00 - 46.30 and an intermediate target of roughly 40 - 42 cents.

GOLD

London's Second Fixing 42.31

*Jaques Rueff
Reef*

European and Japanese pressure on the U.S. to formally devalue the dollar vis à vis gold is gaining strength. We do not rule out this possibility in the context of an overall settlement.

We still feel that free market quotes will work their way lower over the next 4-6 weeks, perhaps in the lower end of the \$38-42 area.

PLATINUM

January '72 116.00

Prices have firmed up a bit since last week when we suggested covering short positions.

We now remain neutral (although we feel distinctively bearish) until either the August highs or the September lows are broken.

N.Y. WORLD SUGAR #11

October '71 3.95
March '72 4.55

As we suggested last week, the current downward pressure on the nearbys may dull next years bright prospects. The effect of recent actual sales will be with us for rather longer than the rally prices would seem to indicate: early 1972 demand has been met in 1971.

We remain cautious and await on the sidelines for further developements.

N.Y. COCOA

December '71 23.70

The downtrend continues. Would like to see a rally of at least 100 - 140 points before initiating short positions.

The Cocoa Producer's Alliance meeting is in progress in Lagos and is followed by the UNCTAD meeting in Geneva, commencing September 22nd until the 6th of October.

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 developements that may affect 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.

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