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CLEARING MEMBER OF LEADING COMMODITY EXCHANGES

COMMODITY COMMENTS

September 28, 1971

N.Y. SILVER

Spot 139.60
December '71 141.50
Comex Warehouse Stocks 117,340,000 unch.

The backing and filling type consolidation is continuing. Unlike previous intermediate bottoms, however, open interest at 41,111 is on the rise. This suggests two things: a) the lower silver prices go, the more tenacious the speculator gets the assumption that the elusive bottom may not be too far off, and b) the more lagged out the recovery will be. Traders should realize that worthwhile advances can only spring from thoroughly sold out conditions.

We would certainly become concerned if the open interest continues to rise while volume remains sluggish and prices drift laterally. The silver contango (premium of deferred contracts over nearbys) can inflict heavy losses on the so-called 'patient' investor; carrying charges at a rate of 120 points per month easily 'eat' into one's capital. Investors with large funds and a great deal of patience should contact us for a SYSTEMS approach to trading silver that takes advantage of the 'disappearing' premiums.

Traders should stick to the nearbys by buying on dips with stops at 136.90 basis spot.

U.S. SILVER COINS FUTURES

October '71 1108
January '72 1122
Premium over Jan '72 bullion equivalent 9.4%

Still the safest way to buy silver as attested by its growing popularity. Open interest continues to grow, now at 2093.

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 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 and, conversely, one must reach out for offerings.

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

COPPER

Spot 47.30
December '71 47.75
London Warehouse stocks 124,750 + 3850

London's almost daily weakness is moderated by New York's refusal to go along. On Thursday, a rise in the sterling - dollar ratio from 2.473 to 2.4813 helped to trigger a 75 point rally in Comex thus staving off the final test of the January lows. The thinking in New York seems to be that if the basic supply and demand condition in the red metal does not warrant improved prices, then perhaps the sterling - dollar ratio can do. One wonders what is next as London moves inexorably towards the year's low of £414.5 for spot and £420 for three months. Surely the deteriorating price and volume pattern in the L.M.E. does not augur well for the New York bulls.

Where can the copper Bear Market end? A long term uptrend in copper dating back to 1938 suggests a price of 34¢ per lb. as the eventual low. This can be confirmed by measuring down the spectacular 13¢ rally that took place in the first four months of 1971. From the peak of 82.75 ¢ per lb. realized in 1966, this would mean a 58% drop. Curiously enough, the top to bottom drop that occurred in the last major bear market in copper, back in 1956 - 1958, measured also 58%. Is all this just a number's game?

At any rate, traders should sell short on any rallies with protective stops at 49.20 and 48.80 at the end of the week. First target 46.00 - 46.30 basis December '71, second target 42.00. Third target, anyone?

GOLD

London's Second Fixing 42.575

A long-outspoken opponent of a rise in the official gold price, Representative Reuss said yesterday that he now believes a small increase in the gold price would be advisable as a bargaining point with other major nations. Mr. Reuss, who is Chairman of the International Unit of the Joint Economic Committee, added that Congress would willingly enact a gold price increase provided certain conditions were met, including a halt in the growth of the total gold in the IMF, a mutual reduction of trade barriers by major nations, more flexibility in currency rates, and a reduction of U.S. military costs abroad.

Others, such as Milton Friedman, strongly advocate that the U.S. forever close its gold window and not bother to raise the price of a commodity that will not be

sold anyway, even at \$38 per oz. Jacques Rueff's suggestion that the \$60 billion odd floating outside the U.S. and held by Central Banks and speculators be consolidated in the form of long term, cheap loans to the U.S. is an intriguing and quite constructive point of view. Incidentally, he was a long outspoken proponent of a rise in the official price of gold. He now finds it irrelevant as the outstanding claims on the U.S. Treasury cannot be 'converted' short of quadrupling the present price.

An historical note: "The U.S. gold stock plummeted \$224 million in August to \$10.21 billion, its lowest level since the end of 1935. And total reserve assets skidded \$1.15 billion to \$12.13 billion, the lowest since the end of 1936. Moreover, Washington's right to draw foreign currencies from the IMF also tumbled." (Wall Street Journal, September 27, 1971)

Traders are advised to sell gold on strength to avoid any post-IMF hangovers.

PLATINUM

January '72 113.00

Rustenburg Platinum Mines, the largest platinum producers in the world, announced Thursday that effective early 1972, it would cut mine output to half of its present 1.1 million ounce capacity. Due to a decrease in platinum demand recently, Rustenburg's present output rate would soon raise stocks to unrealistic levels. The Company does not expect demand to improve soon, but can quickly revert to full production if necessary.

Impala Mines is also disappointed in the recent platinum situation and has been allowing its labor force to fall off naturally. Managing Director Jackson believes the outlook of the metal to be bound up with the type of resolution reached on the international monetary situation.

We will become heavy shortsellers of platinum once the 109.00 area is broken.

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 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.

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