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CLEARING MEMBER OF LEADING COMMODITY EXCHANGES

COMMODITY COMMENTS

October 14, 1971

N.Y. SILVER

Spot	133.20
December '71	132.0
Comex Warehouses	116.690.000 - 470.000

"London bullion dealer Mocatta & Goldsmid state the following on silver in their monthly bullion report:

Heavy speculative liquidation continued in September and the price fell to new four-year lows. The fall was accentuated in sterling terms by the strength of that currency but the spot month on the New York Commodity Exchange Inc. traded consistently at lower prices than at any time since the U.S. Treasury withdrew in May 1967.

The course of silver prices as we have pointed out before depends on speculative sentiment rather than fundamental factors and silver holders everywhere are understandably depressed. The market has fallen steadily over the past year and any firmness has been shortlived. Just as speculative enthusiasm caused silver to be widely overbought in 1967-8 speculative depression may well cause the opposite now.

However, we are approaching levels at which external factors again may become relevant. Below \$1.39 the face value of the U.S. silver coinage exceeds the value of the silver content and although coin silver has not come onto the market for some time, we understand that substantial holdings of coin have been hedged by selling forward on Comex. Below \$1.39 these hedges are no longer necessary. Also, by the terms of the Coinage Act of 1965 the U.S. Treasury is bound to buy all newly-minted U.S. Silver at \$1.25.

Although this would not be sufficient to put a firm base under the market if there are determined waves of speculative liquidation it at least provides some external justification for steadiness at the lower levels. Previous support points have been largely technical and have failed in the absence of outside factors to justify them.

As long as the current mood of disillusion persists it is difficult to put any firm limit on the decline in silver prices but we would expect any fall below 130 cents to be short lived."

We remain extremely disappointed by the failure of the open interest to contract even as prices continue to drop. In Chicago, open interest has receded

from 71,000 contract to 68,000, a pitiful contraction if we compare present levels with the 54,000 contracts immediately prior to the August-September-October plunge. Only 6 months ago, open interest in Chicago stood at 27,000 contracts! In New York the rise is more moderate. Nevertheless, at 42,722, open interest has now reached a 5 months high.

Technically speaking, silver has become more, not less, vulnerable to further setbacks although fundamentals would appear to support present levels. It is perhaps because of the latter that the former is true.

Strategy - Hardy traders may wish to trade lightly from the shortside on rallies (like today) with stops at 134.50 basis December '71.

U.S. SILVER COINS FUTURES

October '71 1080
January '72 1103
Premium over Jan. '72 bullion equivalent 14.3%

We are once again close to the practical floor for silver coins which we have estimated at 1040 - 1060. The wide 14.3% premium precludes us from taking too strong on the long side for trading purposes. Longer term investors, however, may find this an excellent opportunity to accumulate silver at very low risks to themselves.

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.

According to Director of the Mint Mary Brooks the Treasury has estimated that there were nearly 1.6 billion ounces of silver contained in U.S. silver coins in circulation at the end of 1964, based on the number of coins minted over a 25 year period. Between July 1967 and June 1970 the Mint recovered approximately 200 million ounces of silver through the Silver Recovery Program, leaving nearly 1.4 billion ounces in silver coins in private hands. Trade estimates suggest that 400-500 million ounces of silver is a more realistic figure for coins which may become available to the market. Open interest on the Mercantile Exchange is 25,410 bags of silver coins equal to 18.2 million ounces of silver.

GOLD

London's Second Fixing 42.70

"London bullion dealers Mocatta & Goldsmid state the following on gold in their monthly bullion report:

In the absence of any decision on the future role of gold in the

International Monetary System, the metal traded uncertainly during September. The opening price of \$40.70 proved to be the lowest point and the market held between \$41.00-42.00 for the first half of the month. The group of ten meeting in London followed by the opening of the IMF meeting in Washington revived some speculative interest, and the price rose to the \$42.00-43.00 range in the last two weeks, with a high of \$43.15 on the afternoon of the 28th.

Buying was encouraged by reports that the group of ten, with the exception of the U.S., favored a minor revaluation of gold, and that the U.S. might be prepared to concede this as part of a general revaluation package. On the other hand, the U.S. Secretary of the Treasury continues to insist that gold is irrelevant, and plans for an increased use of "paper gold" appear to have been well received.

Although the market has, to some extent, reflected these reports, it is, as we said last month, difficult to see their relevance to the present free market level. A monetary price of \$35.00 or \$38.00 can hardly help to support a free price of \$2.50, and insofar as there is any discernible measure of agreement, it appears likely that the monetary role of gold will diminish, the monetary price will remain below \$40.00, and the U.S. "gold window" will stay effectively closed.

A year ago, there was considerable discussion of the levels that the free gold price could reach on the basis of industrial and traditional hoarding demand, without monetary speculation. Perhaps, when the dust of the current crisis has settled, this question will once more become relevant."

COPPER

December '71 48.65
March '72 49.15

According to the latest issue of internet bulletin, the U.S.S.R. has been trying to interest foreign developers in the Udokan Copper Orebody in Northern Mongolia. The copper deposit is estimated to be as large as Chuquicamata in Chile with a potential annual production of 400,000 metric tons. However, Udokan is so remote that the cost of building roads, plants and other necessary structures might be a billion dollars.

Chile's Comptroller General announced yesterday that American copper firms whose mines were nationalized are not entitled to compensation and, in fact, owe Chile more than \$388 million. However, Anaconda will be paid compensation of \$10 million, Cerro Corporation will be paid \$18 million, and Kennecott will receive nothing. The companies have 15 days to appeal the government decision.

We were stopped out on our short positions at 48.60 -48.90 on breaking the July-September downtrend. Upside volume was impressive and we would therefore move to the sidelines.

London closed yesterday at £426.5 - 427 for 3 months. The obvious resistance point is £430.

Although we remain distinctively bearish, we are adopting a neutral trading posture.

PLATINUM

January '72 113.00

The layoff earlier this year of 9,700 mine workers out of its 35,000 working force at the Rustenburg mines had entailed a production curtailment of at least 25%. That move seemed to be what the market needed and for a while it looked as if the market situation had reached a point of equilibrium. However, all's not well as indicated by the Rustenburg's latest report. Rustenburg now plans to further reduce its work-force to 16,500, a drop of 8,800 and to reduce its output to 50% of its present capacity of 1.1 million oz. by the beginning of next year. The main reason for this is the 1/3 reduction in the level of sales from last year.

We remain neutral in this market until the 112.00 - 122.00 basis January '72 trading range is violated. Sell short below 112.00.

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.

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