

FRIEDBERG & CO. LTD.

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

COMMODITY COMMENTS

November 10, 1971

N.Y. SILVER

December '71 132.60
March '72 135.00
Comex Warehouse Stocks 112,880,000 + 200,000

At the close, last Friday, silver mustered to break out once again (on October 15 it managed to do so but the resultant rally was a failure) from its downtrend line extending back to the last two weeks of August. On the strength of this argument, commission house buying drove prices up another 110 to 130 points higher on Monday to a close of 132.20 basis December '71 and a further 110 points this morning before settling down to close up 40 points.

We do not subscribe to the view that silver has bottomed out. For one thing, unlike previous intermediate bottoms, we have not witnessed a period of quietness in this market. On the contrary, markets have been choppy, nervous, and dotted with intermittent rallies. Secondly, and again unlike previous intermediate bottoms, open interest has failed to contract. Indeed, it has risen and now stands at a new all time peak of 47,684 contracts demonstrating that there still is a rather sizable bullish contingent aboard. These longs will very likely dispose of large positions at or about the 13400 area basis December '71, 13650 basis March '72.

In the fundamental background, Comex Warehouse Stocks continue to recede from the highwater mark of 121,000,000 oz. and now stands at 112,880,000 oz. This level is still 6,000,000 oz. higher than the one reached at the beginning of this year. We would consider a move below 105,000,000 oz. as quite significant although we should caution that the silver moving out of Comex storage may not actually be moving into the industrial sector to fulfill legitimate industrial demand; geographical location may change but silver may still be piling up in speculative hands.

User stocks declined 11 million ounces in the second quarter and they are now down to 64 million ounces, an inventory equal to 5½ months' consumption (U.S. figures). This figure is still rather high.

To sum it up, we caution strongly against taking a premature bullish posture. In our view we have not seen the lows of this move yet.

pollution. The new smelting process which uses solutions of cuprous salts rather than conventional cupric salts may allow the industry to satisfy the U.S. laws at a cheaper price.

We continue to adopt a very bearish posture towards copper and recommend adding to previously established short positions on any 30-50 point rallies. Protective stops should be kept at 4815 basis December '71 and 4865 basis March '72. Our short term target remains 44½ cents basis Spot.

PLATINUM

January '72 106.00
April '72 106.90

As we suggested last week, prices found support in the \$98-100 area basis the nearest contract (January '72) and have since rebounded approximately \$7-9 per oz. We regard this rally as a new opportunity to establish short positions at small risks. Protective stops should be placed at 114.00 basis January '72. Target remains \$75-80.

N.Y. COCOA

March '72 22.31

Significant overhead resistance still lies in the 22.60 -22.80 area basis March '72. Long positions may be established on penetrating this area.

Alternatively, call options may be purchased for March '72 London Cocoa at approximately £12.5. Contact us for more detailed information on the workings of the put and call option market - its increased leverage, reduced risk exposure and trading advantages.

N.Y. WORLD SUGAR #11

May '72 4.89

Heavy sales of prompt raws are putting pressure on the market by introducing an element of suspicion into the premiums paid for 1972 deliveries. While during November we may envisage a substantial improvement in the N.Y. Spot price as the last (hopefully) of the cheap sugar finds a resting place, we are concerned with the timing question of spot vs. futures and their theoretical 'come together'.

At the moment, the low level of the open interest (12,533 contracts) and the relative slowness of the advance indicate to us that the Bull Market has still some time to go and that what is taking place is just a normal readjustment of expectations.

Continue to maintain long positions with stops in the area of 4.79-4.80 basis May '72.