

# FRIEDBERG & CO. LTD.

FOREIGN EXCHANGE DEALERS  
COMMODITIES FUTURES BROKERS  
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## COMMODITY COMMENTS

December 8, 1971

### N.Y. SILVER

Spot (Dec. '71) 138.50  
March '72 141.00  
Comex Warehouse Stocks 113,334,000 unchgd.

Silver prices moved higher during this past week largely as a result of  
a) continued unsettlement in the international foreign exchange markets; b) near-  
certainty of an official revaluation of the U.S. dollar price of gold (the first of  
many 'small' ones?); c) increased bullishness on the part of commission houses and  
d) an oversold condition.

Earlier last week, open interest gave signs of peaking out at the 49,400  
level thus indicating a probable reversal in the market. Yesterday, however, all  
such hopes were dashed as open interest increased by 865 contracts.

The gold situation (see gold) has altered our short to intermediate term view on  
this market. We now believe that this bear market rally can extend to 148.00-150.00 ← (113)  
basis March '72 and even as high as 160.00 without violating the Bear Market downtrend.  
Our present view is conditioned solely on the bullish formation now appearing in  
London Gold and should not be taken to represent a major reversal in silver and its  
demand and supply outlook.

The question now is: How does a conservative trader take a short term bullish  
position without falling into the risks inherent in taking a contra-trend position?

The obvious answer lies in purchasing call options. By paying a small  
premium, a trader can acquire the right to purchase silver at a predetermined price  
for a stated period of time. If instead of rising silver falls, then the trader will  
have lost only the premium. A rise in price, on the other hand, will enable him to  
profit by "calling" silver at the pre-set price and, subsequently, selling it at  
the prevailing price.

As an example, a trader purchases a call on Feb. Silver at 140.20 (today's  
close) and pays \$387.50. This means that he has the right to purchase 10,000 ounces  
Spot silver anytime until Feb. 8 (exactly two months after the purchase date) at 140.20.  
This privilege cost him \$387.50 or roughly 390 points per contract.

If Spot rises to \$ 150.00 by, say, January 15th, he will 'call' his 10,000  
ounces at 140.20 and immediately sell it at 150.00 for a gross profit of \$980. He  
then deducts \$387.50 (The cost of the premium) and \$45.00 (the round turn commission)  
and he is left with a net profit of \$547.50. His total investment was \$387.50 and  
his profit was \$547.50 - a 141% return in 6 weeks.

Should Spot drop to \$1.00 or even less, he will only lose the premium - \$387.50.

In short, calls offer a highly leveraged (a trader only puts up \$387.50 in our example to purchase 10,000 ounces with a value of \$14,020) and a limited risk approach to commodity futures trading and is highly recommended at this time to speculators and investors alike.

We are in the position to offer a limited quantity of calls. Levels for premiums are as follows (basis opening prices December 8th):

February 8th (2 months)	-	\$ 387.50
March 8th (3 months)	-	462.50
April 8th (4 months)	-	575.00

Call us.

### N.Y. COPPER

Spot (Dec. '71)	46.40
March '72	47.25
London 3 mos.	£413 - $\frac{1}{2}$

The bear market rally in copper was extended this week as prices tested the major April - August - October downtrend line at 48.40 basis March '72. The upside move, fifth in row, carried copper to an intraday high of 48.25 basis March '72 but trade selling kept it from going higher and a reversal set in.

The Indo-Pakistani conflict had an effect on the market but we suspect that the major responsibility for this strength lies again with the currency unsettlement. Very simply, it takes more 'depreciated' U.S. dollars to buy copper today than 3 months ago, or one week ago. If this is not true in actuality (as evidenced by the similar strength of the £ price of copper) it is at least true in the minds of many thousand American traders. And that's all it takes to move prices higher.

We would prefer to await on the sidelines and let the market demonstrate a clearer pattern before we resume short sales on rallies.

### GOLD

London's second fixing 43.80

The inevitable has been officially acknowledged; Connally denied a reporter's suggestion that the Nixon Administration had previously ruled out dollar devaluation under any circumstances. Reports coming out of Rome indicate a willingness on the part of the U.S. to devalue by as much as 10% - while Europe would be happier with 5 - 8%.

It is all too obvious that the official price of gold will rise by 5 - 10%. But will it rise by only 5 - 10%? If so, why is the free market price flirting with the \$44 level - a monstrous 25% - plus premium?

We do not profess to know the answer but we call to the attention of our chart readers the massive 4 months high level triangle with a flat top at \$44 and an uptrend at \$42.80-- 42.90. Rarely will one see such a high level bullish formation. The chart's upside reading is \$47.40.

We regret immensely not being able to explain in fundamental terms the reason for our bullishness. Only time will tell - (perhaps less than 6 weeks).

We strongly recommend purchases of gold bullion at these levels. Contact us for additional information.

#### PLATINUM

January '72 111.50  
April '72 111.00

Based on our convictions on gold and the firmer tone of this market as evidenced by a very well defined uptrend, we recommend closing out short positions.

Long positions may be initiated at these levels with protective stops at 108.00 basis April '72.

#### U.S. SILVER COINS

January '72 1152  
April '72 1167  
Premium over Jan. '72 bullion 15.2%

The attractiveness of this market has diminished considerable over the past week as premium over bullion fails to contract.

Traders interested in going long silver and mindful of the risks will find bullion more rewarding than coins.

#### N.Y. SUGAR #11

May '72 5.23

Sugar prices moved slowly upwards this week and reached an intraday high of 5.34 basis May '72, amidst growing currency uncertainty and the Indo-Pakistani War.

We have recommended sale of May sugar at 5.28 thus nailing down a good profit.

Remain on the sidelines.

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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 specializes 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.

PLEASE NOTE OUR NEW ADDRESS:  
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Albert D. Friedberg, M.B.A.

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