

# FRIEDBERG & CO. LTD.

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## COMMODITY COMMENTS

December 22, 1971

### N.Y. SILVER

Spot (December '71) 139.50  
March '72 141.50  
Comex Warehouse Stocks 113,477,000 uncng.

The strength in sterling the Monday after the U.S. 7.89% devaluation caused a brief flurry in silver prices. The market opened up 10 points and moved to 145.90 basis March '72 before settling down under the onslaught of heavy trade selling. Prices closed 210 to 230 points lower on the day on 8434 contracts, thus signalling a possible reversal. A further 90 point drop today took the market perilously close to its month-long uptrend.

We continue to express our view that silver prices are still in the midst of a protracted bear market. At this moment we are not prepared to give a downside target, but we firmly believe that the \$1.25-\$1.30 support area will eventually be broken.

We expect that 1971 will show a modest 10 million oz. supply deficit, after allowing for secondary recovery. Should prices remain in the \$1.30 area for over one year, the 'gap' may widen to 50 million oz.; this would be a direct result of silver's price elasticity.

Following we present a brief table on assumed price elasticities based in part on a silver study prepared by Charles River Associates:

	1971*	Assumed	Theoretical reaction to
	m.oz.	elasticity*	25% silver price cut
			(after 2-3 years)*
			m.oz.
SUPPLY:			
Primary	257	0.1	251
Secondary	110	0.5	96
Total	<u>367</u>		<u>347</u>
DEMAND:			
Industrial	362	-0.2	380
Coinage**	<u>15</u>	-0.5	<u>17</u>
Total	<u>377</u>		<u>397</u>
NET DEFICIT	10		50

\*All figures estimated

\*\*Excludes U.S. Treasury silver used for coinage

Short positions should be initiated on a break below 140.00 basis March 1972 with stops at 142.80.

GOLD

London's Second Fixing \$43.125.

Now that the official devaluation is out of the way, the free market turns to the problems of (a) U.S. dollar inconvertibility and (b) static production vs. rising demand.

On the latter point David Lloyd - Jacob of Consolidated Gold Fields noted that demand for alloying and fabricating in 1970 amounted to 1,420 tons and was likely to amount to 1,350 tons in 1971. As far as production was concerned, South African output was likely to be close to present levels in 1980, though it might decrease from the present record figure of 1250 tons per annum to around 1,100 tons.

To keep demand and supply in balance, prices would have to rise considerably. A rise to \$47 per ounce, would reduce demand by about 30%. Naturally, this estimate does not take into account the demand factor represented by bullion speculators.

We remain bullish on gold and look for it to achieve the \$47-47½ level in the near future.

COPPER

March '72 48.40  
London 3 mos. £419½-420

The effect of the 1400-ton increase in London Warehouse Stocks was blunted somewhat by the upward movement of the sterling rate in the foreign exchange markets. A steady price for 3 months wirebars reflected itself in a 70 points Comex rise but, here again, the market did not hold its gains and closed 30 points lower.

We pointed out last week that an intermediate term downtrend line was penetrated on the upside (at 48.05 basis March '72) and that our trading posture had turned neutral from bearish as a direct result of this happening.

We remain neutral.

PLATINUM

January '72 108.70  
April '72 108.10

We remain short in this market with protection stops at 112.70 basis April 1972.

There is a possibility that the information provided in this report is not accurate.

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SECRET

London's economic situation

The fact that the British government is one of the few countries in the world to have a balance of payments surplus is a reflection of the high productivity of the British economy.

On the other hand, the fact that the British government has a large foreign debt is a reflection of the fact that the British economy has not been able to export enough goods to cover its foreign payments.

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COTTON

March '72 36.10  
October '72 33.85

Heavy selling of cotton futures yesterday was prompted by the news that the Agriculture Department suspended foreign aid grants for the purchase of U.S. Cotton pending a study of the dwindling cotton supply in the U.S. Losses of  $1\frac{1}{2}$  cents a pound were trimmed towards the close as prices closed off  $5/8$  cent a pound.

In our view, this market is easily the most attractive vehicle for a large gain. Our initial target is 40 cents for March and  $37\frac{1}{2}$  cents for October.

Contract calls for 50,000 lbs. of cotton, margin is \$800 (\$1100 if over 35c), minimum fluctuation is one point (\$5 per contract) and round turn commission is \$45.

Add aggressively on previously established long positions.

N.Y. COCOA

March '72 21.42

Cocoa is giving signs of coming back to life. The major long term support at  $19\frac{1}{2}$  cents per pound and the dollar devaluation have combined to halt the steady erosion of prices that has taken place of late.

We would become buyers on March breaking 22.20 on the upside - a necessary move signalling the market's reversal.

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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.

Albert D. Friedberg, M.B.A.

SEASONS GREETINGS