

FRIEDBERG & CO. LTD.

FOREIGN EXCHANGE DEALERS
COMMODITIES FUTURES BROKERS
FINANCIAL SERVICES

34 ADELAIDE ST. W.
TORONTO 1, ONTARIO, CANADA
TEL. (416) 864-1195
CABLE ADDRESS FRIEDCO TORONTO

COMMODITY COMMENTS

January 4, 1972

Phase II of the Great Gold Nightmare of the 70's has begun. Thirty-eight dollars per ounce was too little, too late. The international financial community is about to learn the meaning of convertibility. The lesson will be embodied in a new crisis which will hit at the heart of the system.

It is all very simple. The key to the proper functioning of the Gold Exchange Standard (the Bretton Woods Agreement) was confidence -- confidence that the U. S. dollar was indeed redeemable for gold and that foreign central banks would hold dollars only to economize gold for which they would be compensated by earning interest. The enormous accumulation of dollar balances in the hands of foreign central banks forced the U. S. to suspend greenback redemption on August 15th. On December 17th, the U. S. officially acknowledge what had been apparent since 1960--that \$35 per oz. had become a barbaric relic (not gold, as Chairman Martin suggested in 1965) and that a new price had to be set.

What happened? All eyes were fixed on methods to facilitate a prompt and necessary currency realignment. Of course, a change in the price of gold was the only way to accomplish an equitable realignment in view of the cross-rate distortions that would arise from unilateral revaluations on the part of the DM & the yen. The amount of the change, \$5, \$10, \$35 or even \$100 per oz. in the price of gold would have been irrelevant to the question of currency realignment so long as everyone adjusted its own currency to the predetermined Master Plan. The amount of the charge was highly relevant to the future of convertibility. This the U. S., and for that matter all the other politicians, did not comprehend.

The dictum of the free market was that equilibrium was possible at around \$42-44 per ounce. Equilibrium for the free market had only entailed private consumption and even the latter merited a 25 % premium. Shouldn't then equilibrium for private consumption plus monetary demand entail a far higher price? Instead, the verdict handed down by the financial experts in Washington read \$38 per oz.

For the past 4 weeks we have been recommending to our readers the purchase of gold bullion at prices ranging from \$42.40 to \$43.80 on the basis that a move to \$47.50 - \$48.00 was imminent. On December 8th we said that only time would tell if we were right and suggested "perhaps less than 6 weeks".

Yesterday, January 3rd, London Gold moved above its long term area of resistance to the highest price since the two-tier market began 3 years ago.

Phase II of the Gold Crisis is about to begin.

N. Y. SILVER

Spot (January 1972) 141.60
March 1972 143.00
Comex: Warehouse Stocks 11,134,00 unchgd.

Last week's slump in silver prices was reversed early this week as prices moved 460 to 500 points higher in the last two days. New York's initial strength was derived from a strong silver fixing in London which in turn was influenced by upward creeping gold prices.

This market is devoid of all fundamentals and has become a reflection of the movement of gold.

Technical and psychological considerations suggest a test of the 14590 (previous reaction high) and 14700 (intermediate downtrend) areas basis March 1972. A successful test of these points could indicate a first target of 154.00 and, eventually, 160.00 basis March 1972.

Long positions should be established at these levels, adding on as resistance levels are overcome. Protective stops should be placed at 140.00 basis March 1972.

COPPER

Nearest contract 48.80
March 1972 49.50
July 1972 50.50
London 3 months £422.5

A smaller than expected rise in London Warehouse Stocks (1400 tons) and further evidence that the U. S. economy was picking up steam were responsible for a firmer tone in the copper market.

A few weeks ago we turned neutral based on the upside penetration of the lengthy April--August-- October downtrend.

At this moment the market has completed a bullish inverted head-and-shoulder reversal pattern. A breakout above 50.55 basis July 1972 would confirm a new bull trend in copper. Also a rising open interest indicates that not all the buying can be attributed to short-covering alone- another positive indication.

Buy Copper at the market on move above 50.55 basis July 1972.

COTTON

March 1972 37.55
October 1972 34.75

Concern over dwindling U. S. reserve supplies of cotton, rising prices at the leading spot cotton markets and unfavorable weather in the big cotton-producing state of Texas has provided this Bull Market with continued strength.

Remain Long.

COCOA

March 1972 21.60

A successful test of the lows was accomplished this past week as March cocoa held its recent slide at 2040, barely 15 points above its 5-year low. Volume on the rebound was impressive.

Would begin buying March Cocoa at these levels, though rather lightly, and become an aggressive buyer on March crossing 22.40.

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.

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