

# FRIEDBERG & CO. LTD.

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## COMMODITY COMMENTS

February 29, 1972

H. Y. SILVER *Shay*

Spot	145.60
July '72	148.70
Comex Warehouse Stocks	115,355,000 oz - 273,000

After trading for eight sessions in a narrow range of 250-300 points, silver prices broke sharply lower on Friday. A stronger London bullion fixing that morning had prompted Comex traders to call silver 50 higher at the opening. Instead, prices opened 30 - 50 points lower; trade selling persisted through the day and was joined by commission house chart oriented stop selling. Near the close prices recovered a bit but, nevertheless, ended the day 300 - 310 points lower.

For the past few months we have been harping on the theme that silver's recovery from the November lows was merely a Bear Market rally and that it had derived a great deal of its strenght from the sharply rising gold bullion prices. Nevertheless, based on (a) huge overhead resistance encountered in the 152- 154.00 basis Spot; (b) diminishing upside volume and contracting open interest (especially in Chicago) and (c) price divergence appearing in the gold-silver complex, we strongly suggested that 154.60 basis Spot reached on February 2 would mark the high water mark for silver prices in 1972(Commodity Comments, February 8, 1972)

Again on February 15 and 23 we repeated our bearish warnings, the last of them simply pointing out that a "potentially bearish technical picture is being formed on the daily charts. The formation is commonly known as a top reversal head and shoulder; if carried out it implies sharply lower silver prices in the weeks and months ahead"

Technically - oriented traders will find the following (temporary) support levels in the course of the ongoing Bear Market: 147.00, 140.00, 136.00, 132.00, all basis July '72. Short term trading strategy should thus be built around these levels. Longer term traders, however, should under no circumstances disturb their previously established short positions.

COPPER *long*

Spot 51.15  
July '72 52.25  
London 3 mos. £ 442.50

Thursday afternoon, Phelps Dodge announced that it had increased copper prices by  $2\frac{1}{2}$  cents per lb. Subsequently, Anaconda and Inspiration Copper followed suit.

The rise in the price of refined copper in the U.S. followed a week in which the LME cash wirebar asking quote rose from 50.26 ¢ per lb. to 51.40 ¢ (U.S. \$ equivalent) ---above the U. S. producer price for the first time since March 15, 1971. Normally, the U.S. price is about 2 ¢ per lb. above the LME price, or enough higher to pay for importing copper.

The increase in the basic copper price follows a number of boosts by brass mills in the prices for copper products. The increase resulted partly from rising prices on foreign and scrap markets where the brass mills buy extensively. The total cost of converting scrap to refined copper is currently about two cents higher than the old price for producer copper.

Fabricator's new order bookings---- often used as an indicator of future business activity--- in December were reported at 159,783 tons, up 6,639 tons from November and the highest since June (just before last summer's industry strike). Thus, new orders booked in 1971 aggregated 1,793,646 tons, 87,434 above 1970 but sharply under the record of 2,216,635 tons in 1966. Fabricator's unfilled orders, as of Dec. 31, totaled 187,688 tons, up 31,389 tons from Nov. 30 and about the same amount above a year earlier. When matched against combined visible supplies (total stocks less working stocks) and undelivered purchases, the Dec. 31 unfilled orders indicated a fabricator's deficit of 12, 017 tons, the first in a year. This suggests the need for replenishing inventories, particularly if demand improves.

We are impressed by the technical resilience of this market and prefer the long side for nimble traders.

LEAD *sell*

3 mos £121.50

A 1 - cent increase in the price of lead and a new drop in LME Warehouses- this time 3000 tons - took the market up to new recovery highs.

This market may be running out of fresh stimulus and we prefer to take profits on long positions established in the 103.50 - 105.00 area at anywhere between £122.00 and £125.00 basis 3 mos.

COCOA

May '72 24.56

Chana purchases for the week ending February 17 were 4,895 tons, making cumulative total 405,881 tons compared with 368,177 tons last season at this time. Traders expect four more returns before the crop is finalized.

Long positions reestablished once May '72 2415 was bettered can be maintained, risking 23.95 - 24.00

COTTON

March '72	37.80
July '72	37.18
October '72	33.78

Nearby contracts reached contract highs during the past week as it was disclosed that 2100 bales would be delivered less than dealers had expected, against the March '72 contracts. March '72 reached 38.02 but profit-taking trimmed the advance and it closed at 37.78.

Prices are temporarily stalled at the upper part of the recent trading range; diminished upside volume may be the prelude for a possible 50 - 80 point downside shakeout in the nearbys and 30 -50 points in the deferred positions and a defensive posture may be in order.

CATTLE

We were a bit too premature in our bullish posture thinking that perhaps the correction from the highs had run its course. For the week ended February 19th 525,000 head of cattle were taken to slaughter as against 566,000 a year earlier. The U.S.D.A forecast a 3 to 4 % increase in slaughter at slightly above average weight which in their view should be able to absorb increased supplies without much problem.

Continue to maintain an aggressively bullish posture by purchasing April '72 contract at these levels with protective stops at 34.02. Conservative traders may wish to wait until the 35.45 level as been penetrated on the upside.

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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 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.

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