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COMMODITY COMMENTS

March 7, 1972

N. Y. SILVER

Spot	153.40
July '72	156.40
Comex Warehouse Stocks	<u>115,203,000</u>

After advancing steadily in rather quiet dealings last week, silver prices took a sharp turn for the better on Friday. A fair number of stop buys were triggered on May and July '72 as opening levels were bettered and minor downtrend lines broken. With volume remaining modest, silver prices scored another advance today of 150 points.

In the fundamental background, the U. S. Bureau of Mines announced that U. S. output of newly mined silver fell 4.5 million ounces to 40.5 million in 1971 while consumption rose slightly to 128.6 million ounces.

Gold's influence on Silver's recent strength has been rather minimal as the former remained in the narrow trading range \$47.80 - 48.25. A more likely influence can be attributed to spreading optimism (and rising prices) of other industrial metals, notably copper, zinc, lead and tin. With industrial activity picking up tempo, the thinking is that silver consumption will recover from subnormal rates of growth experienced in the past few years. Not an unlikely possibility - but definitely not enough for a sustained bull market.

For Bears there exist the unpleasant (but real, nonetheless) possibility that silver prices will successfully test their recent recovery highs (159.40 basis July '72) and continue for another 400 - 600 points. Indeed, an attempt may be made at the 160.00 - 162.00 major downtrend line basis spot connecting 5 rally tops from late 1968 to early 1971 - in all a 7-9 cent rally from present levels. Needless to say, a conclusive breakthrough of this trendline will signal a major turnaround.

In line with the foregoing, advise that all short positions be immediately closed. Traders may move in from the longside but extreme caution should be used as, as of yet, there has been no confirmation that the three-and-one-half year Bear Market has ended.

*Comex shorts
&
watch*

COPPER

Hold

Spot	52.75
July '72	53.70
London 3 mos	£453.5 - 453.00

Copper prices gained upside momentum this past week on accumulation of favourable economic news emanating from Washington and strong British, U.S. Japanese equity markets.

Very firm scrap prices and better than expected producer sales for the recently opened April books are giving rise to rumours that a new producer price increase is in the offing.

The present advance will be increasing subject to sharp shakeouts, especially after new recovery highs are made. Present long positions should be maintained but new commitments should await reactions.

GOLD

Buy

London's Second Fixing 48.25

The Senate passed the dollar devaluation bill without admendment and, as we are going to press, the House Banking Panel will vote on the bill. No major opposition is expected.

In its annual review London bullion broker Samuel Montagu & Co. estimated that investors and speculators were net buyers of 6 million ounces of gold in 1971 as compared to being net sellers of 8 million ounces in 1970, while industrial demand decreased 10% in 1971.

The question has arisen as to whether the U.S.S.R. will be forced to sell gold this year to pay for recent purchases of U.S. corn and Canadian wheat. At a price of about \$48, 190 tons of gold could cover the Soviet purchases, but Soviet policy on gold sales is unpredictable as statistics on gold reserves and foreign exchange balances have been secret since 1926. Some analysts believe that at least 400 tons of gold must come onto the market this year to prevent the price from rising above \$50.

Once again, a positive technical formation has been formed. Long commitments are justified at these levels, risking \$47.80.

PLATINUM

*Buy
cautiously*

Spot (April '72)	101.80
January '73	103.30

An extremely quiet period combined with a refusal of the price structure to erode further even as Spot penetrated a much heralded support level, and a rising open interest, indicate a major BOTTOM to this market.

A point of further interest is the sharp narrowing of the spread to rates as low as 2 $\frac{1}{2}$ - 3% per annum indicating that physical supply and demand are in better equilibrium.

We recommend covering all short positions established above the 109.00 area basis April '72 and the initiation of long positions in deferred contracts. Aggressive buying may be done should April '72 close above 104.00. This may be a unique long term situation.

LEAD

London 3 months £124.00

As we suggested last week, this market may be running out of steam after a spectacular 5 week £25 gain.

Eastern European demand has caused supplies to be diverted from the U. S. market as traditional U. S. supplies have been shipping lead to these sources.

COCOA

May '72 24.70

New York March has sagged to a 96 point discount from May with just 94 contracts open.

Ghana purchases up to week ending 24th February now amount to 410,348 tons while Nigerian return are reported to total around 245,000 tons up to the 25th February. Nigeria is still reported to be selling very limited quantities on a week to week basis.

Past week reaction held well our suggested 23.95 - 24.00 support basis May '72 and uptrend has resumed. Hold long positions for a test of the recovering highs.

COTTON

March '72	38.30
July '72	36.96
October '72	33.62

Spot March positions are being squeezed and prices are reaching the levels we foresaw two months ago. Inability of the subsequent options to follow through indicates that a minor setback in this continuing bull market is still a strong possibility.

Traders may wish to maintain protective mental stops on May '72 at 37.30 and on July '72 at 36.75.

CATTLE

April '72 34.45
June '72 33.70

A shakeout that was by far more severe and prolonged than what we had anticipated just 3 weeks ago, has ended. While April '72 pierced very temporarily its early February support of 34.00, subsequent options did not follow through and prices recovered strongly to close up 25 points in major key reversal.

This is one of the greatest Bull Markets in motion; as such, we recommend aggressive purchases at these levels and would add to them on moves above 34.35 basis April '72 and 34.00 basis June '72.

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