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COMMODITY COMMENTS

May 8, 1972

N. Y. SILVER

Spot	158.90
July '72	160.30
Comex Warehouse Stocks.	107.908.000 - 61,000 oz

Silver prices met resistance once again in the area of old highs and spent the remainder of last week locked in a 200-point range. Turnover was rather light and open interest continued to contract further indicating some tired long liquidation.

Warehouse movements have been erratic with the low being registered last Monday at 105.370.000 ounces. LME Stocks showed 7.72 million ounces and Chicago stocks amounted to 14.530.000 million-oz.

Silver's inability to move higher in face of daily new highs in gold bullion has puzzled a great many traders. On closer inspection, however, one will note that the yellow metal is relatively scarcer, especially so when one factors in existing (and potential) monetary demand.

The uptrend is now entering its seventh month and the bull is showing signs of tiredness. One cannot discard the attainment of new highs but, at the same time, one can only ignore the uptrend at his own risk.

A moderately bullish stance is in order. Whatever you do (or, perhaps, already are) pay utmost attention to the uptrend connecting the October lows and the five intermediate reactions since; it now lies at slightly above 160.00 and rises to 162.00, all basis December '72 by May 19th.

COPPER

Spot	49.95
July '72	50.45

LME Warehouse Stocks continue to register new postwar records; they now stand at 152,075 tons, a 1675 ton increase over the previous week.

March deliveries in the U.S. fell 4,065 tons short of output but increased exports

helped to cut domestic producer's refined copper stocks on March 31, to 124,246 tons, 8,500 tons below February 29 and 40,000 tons below a year earlier.

In contrast, foreign producers refined copper stocks in March rose 9,263 tons to 367,329 tons thus offsetting the U.S. decline. This underlines the weakness in foreign demand for copper; LME prices have followed New York's fall and spot wirebars were being quoted at 50.07 ¢/lb. this morning.

Short of a sharp escalation of the Indo-China conflict or a massive walkout or production difficulty in Chile, this market will continue to erode. Positive factors are the persistent downtrend in open interest and the drying up of turnover at these lower levels.

Remain on the sidelines.

PLATINUM

July '72	101.40
January '73	103.20

Following discussions with South African platinum producers, Rod Murchison, U.S. minerals officer for Africa, has concluded that with firm advance orders the South African industry could produce two million ounces of platinum per year by 1976, the necessary amount to supply the U.S. auto industry if only platinum-based pollution control devices were used. The enquiry is ahead of the EPA decision to be announced May 12th as to the granting of a one-year extension to auto manufactures over the 1975 deadline for the new air pollution laws. Mr. Murchison does not believe the auto industry will get the extension.

We have repeatedly stated that present prices discount totally the non-usage of platinum in anti-pollution control devices.

We continue to advise the accumulation of long term positions; we are convinced it will prove to be one of the finest inflation 'hedges' of the 70's.

TECHNICAL TRENDS

COCOA

July '72	27.23
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Long positions should keep a protective stop at 25.30 basis July '72. Uncommitted funds should look elsewhere for better percentage gains.

COTTON

July '72	43.90
December '72	32.20

May went off the board at 43.42 today and July moved up subsequently to 44.18 before backing off to close at 43.89.

July '72 has taken over the leadership of this extraordinary bull market. Keep

The total blow came with the growing realization that silver had to move on ultimate consumer demand and not just on rising gold prices. Almost simultaneously, an unclear ruling concerning a ceiling on silver prices clouded the picture and speculative interest nosedived as evidenced by the sharp decline of open interest to 36,000 contracts.

The market must now find a new level of equilibrium, one that will factor in a much reduced level of speculative demand. Price itself is a potent source of potential speculative demand and silver has a very large following of 'bargain hunters'. This can be attested by the fact that silver prices bottomed out in October '71 with a rising open interest, a most unusual event in the annals of commodity futures prices where liquidation is almost prerequisite for sound bottoms.

One can expect prices to work lower over the next few weeks perhaps retracing 50% of the total advance (approximately 148.00 basis July '72). Where one goes from there will depend greatly on the level of consumer demand, the standard bearers of rising commodity prices.

Establish short positions on rallies of 100 points.

COPPER

July '72	49.20
December '72	50.50

A smaller than expected drop in LME Warehouse Stocks and settlement of strikes at two large foreign copper producing facilities triggered at £ 5 decline in London Copper which was duplicated and later exceeded, in New York.

Workers at Chile's El Teniente mine and Japanese smelters returned to work earlier in the week. The LME Warehouse report showed a drop of only 575 tons, to 156,650 tons as against an expected 1,000 tons.

Traders should still keep to the sidelines but investors may consider a scaled down purchase program as prices may still work 100 points lower.

Keep in close contact.

PLATINUM

July '72	109.00
January '73	112.10

Prices continued to display technical strength this past week as new recovery highs were reached.

Platinum remains the best speculation in the metal area and advise continued accumulation.

Protective stops may be raised to 104.00 basis January '73.

TECHNICAL TRENDS

COCOA

The Bull Market continues intact with deferred contracts bettering the August '71 highs.

Continue to hold long positions with short term traders placing stops at 26.75 basis July '72. Position traders can risk the major uptrend at 26.00.

CATTLE

June '72 37.30

Remain long raising June stops to 36.90.

COTTON

July '72 40.51

Remain on the sidelines as uptrends have been badly mauled and a serious decline is a strong probability.

PINEWOOD

July '72 110.60
September '72 105.20

Continue to buy nearby contracts on dips for a move to 120 basis July '72.

WORLD SUGAR # II

July '72 7.17

Long positions may be maintained raising stops to 6.90 basis July '72.

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Continue to hold long positions with short term traders placing stops at 26.00. Position traders can risk the major uptrend at 26.00.

CATTLE

June 72 37.30

Remain long taking June stops at 36.00.

COTTON

July 72 40.11

Remain on the sidelines as uptrends have been fairly muted and a reversal remains a strong possibility.

WHEAT

July 72 110.80
September 72 102.30

Continue to buy wheat contracts on dips for a move to 117 cents July 72.

WORLD STOCKS

July 72 7.11

Long positions may be maintained taking stops at 6.00 cents July 72.

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