

FRIEDBERG & CO. LTD.

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July 6, 1972

COMMODITY COMMENTS

N.Y. Cocoa:

September '72	27.24
December '72	27.70

Phase II of the Cocoa Bull Market is about to begin.

Phase I was brought about by the first tangible realization that low prices were stimulating demand; U.K., Dutch & American grindings for the last quarter of 1971 & first quarter of 1972 were far better than expected. A spotty but steady uptrend was traced by futures prices propelled by the intuitive feeling that a major reversal in consumption was underway. The main feature of this first phase was the very low level of speculative activity; prices were moving upwards on good Western European manufacturer's buying, restrained, or at least scaled up, origin selling & East European interest.

While the first phase buyers had an intuitive feel for the trend reversal, the second phase buyers count with facts & figures. They too, however, must be courageous.

Heavy arbitrage selling of New York positions versus London purchases soon after the pound came after pressure triggered chart selling & created confusion when sanity was most needed. The evidence needed to put this Bull Market in solid footing was contained in the latest Gill & Duffus report in which the estimated world supply/demand surplus for the current year was reduced once again down to some 14,000 tons against 54,000 tons on May 4, 110,000 tons on February 4, & 146,000 tons on November 1971.

Grindings are now estimated at 1,524,000 tons which represents an increase of 61,000 tons since the original estimate & a 7.6% increase over the previous record of 1,416,000 tons in 1971. Production is now assessed at 1,554,000 tons - a drop of 71,000 tons due entirely to the sharply lower crop in Nigeria & the anticipated poor Temporoa crop in Brazil. The report concludes that the 14,000 tons surplus is well within the margin of error for production/grindings estimates & world supply/demand is therefore in approximate equilibrium for the current cocoa year (October 71-September 72).

At present rates of usage, world grindings next year will approximate 1,640,000 tons. It is fairly obvious that a substantial increase in production will be necessary to maintain supply & demand in balance. To top this, stocks are thought to hover around 400,000 tons & can be considered quite low in relation to present consumption.

In our view, the guessing - as well as the speculative - season is about to begin. Given a constructive supply/demand picture, the market should react quite favourably to adverse crop news. The season for such occurrences is precisely July - September.

From a technical point of view, this bull market phase should take prices to the 34¢ area basis nearest contract.

Trading Strategy:

Initiate immediate long positions at present levels in either September or December '72 positions with initial protective stops 100 points under the market. Additional positions may be established when December crosses first 28.10 & then 29.25.

TECHNICAL TRENDS

Copper:

December '72 49.15

Our guess last week proved correct; prices found buyers at the massive support $44\frac{1}{2}$ - 46¢ basis nearest contract & just after the July '72 first notice day. The 2¢ cut in producer's price was fully discounted & we now expect the present rally to run for another 200 points.

Long positions can be held risking recent lows.

Lumber:

July 130.30
September 123.50

An outsized advance was followed by an outsized correction; we were left a bit disappointed at the extreme lack of liquidity in this market. Although we believe that new contract highs will be seen, we advise lightning up a bit on rallies so as to not to be locked in by this very thinness.

Platinum

July '72 149.50
January '73 153.00

Our initial objective of \$160/oz first set in March of this year has almost been reached. From a trading point of view, we recommend liquidating long positions at these levels as the advance has been too steep &, probably, unsustainable.

Investors may remain long but should raise their stops to 141.00 basis January '73.

N.Y. Silver

July '72 168.30

The very sluggish action of the past 3 months turned roaring bulls into neutral "observers" if not outright bears. Open interest

at New York reached a very low level indeed at 32,000 plus, indicating that long liquidation was nearing the end.

A very powerful 400 point rise accompanied by a unusually heavy 4,300 contracts penetrated critical downtrend areas & stopped our short positions at 16020 basis July '72 .

The long awaited bull move is underway; buying should be done at the market.

World Sugar.#II

September '72

6.36

Accompanied by the recovery of the other international commodities, sugar prices firmed up this past week breaking a very steep downtrend began at the 7¢ level.

Although we are beginning to feel distinctly bullish, we are still adopting a neutral wait-&-see attitude.

Remain on the sidelines.

Albert D. Friedberg
Vice-President
Commodity Futures.

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