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COMMODITY COMMENTS

September 5, 1972

Copper:

December '72 52.10

Copper prices continued their spectacular climb with volume & open interest expanding at an out of the ordinary pace. The rise in open interest, which now stands at over 20,000 contracts, is attributed to new speculative long positions & trade arbitrage selling. A curious phenomenon is the refusal of LME wirebars to narrow substantially their 100-150 point discount vis a vis New York in spite of heavy arbitraging; the more so when one considers the historical precedent of LME leadership in sustained bull markets.

LME warehouse stocks rose above 165,000 metric tons, an all time record even when adjusted to monthly consumption. Our LME correspondent reports that "Scrap prices in the East (of the U.S.) have not moved in line with Comex with limited tonnages being booked." It concludes that in New York "merchant wirebar business continues to be negligible."

We have gone far enough on the strength of "tape action"; having established long positions at 48.80 basis December, we now enjoy a 330 point profit in a period of 4 weeks. In view of the anomalies surrounding this bull move (some of which we already mentioned) we prefer to nail down these gains at once & move to the sidelines.

N. Y. Silver:

December '72 194.00

Samuel Montagu, the London bullion dealers, noted a few days ago that silver prices were vulnerable to a sharp setback in view of the sizable long positions holding profits. It predicted that prices will be lower by the end of September than currently. The definitiveness & strength of this statement is particularly puzzling in view of the reserved manner characteristic of London bullion dealers. A statement put out in a similar vein in early July predicting an imminent upward breakout was fulfilled in grand fashion. Could it be ... ?

A rather steep uptrend remains in progress at this time, inviolate so long as December '72 holds 19150 tomorrow & 19570 at the end of this week. Volume & open interest contract on reactions & bullishness retreats along; all of these are positive signs.

Comex Stocks were 96,840,000 ozs, Chicago was unchanged at 18,150,000 & LME totalled 6,720,000 ozs. The GSA announced that it would be auctioning 237,000 ounces of reclaimed silver.

Hold long positions but stick to the major uptrend very closely, any break on volume could indicate the start of an intermediate reversal.

TECHNICAL TRENDS

Cocoa: December '72 32.98

Remain long and raise stops to 31.95 basis December '72.

Cotton: March '72 27.96

We are trying once again the long side; a head-&-shoulder bottom may have indicated the end of the bear market. Buy March '73 at the market & place mental stops at 27.70. Add to long positions on moves above 28.35 & 29.00.

Lumber: September '72 143.80

New contract highs were reached today with September touching 145.60. Bull market remains intact but long positions should be liquidated slowly as first notice day (September 14) approaches.

Soybean Oil: December '72 10.59

On the August 23 issue of Commodity Comments we said that "the transition from a bear market to a bull market is a slow & painful process but should take place within the next two weeks." For the last 2 weeks prices formed a base between 10.06 & 10.33; today prices exploded upwards & closed at 10.59 after reaching 10.61. The bull market in Soybean Oil is now underway.

INTERNATIONAL MONETARY MARKET

Deutsche Mark: December '72 31.682

The short position in December '72 DM first initiated at 32.010 is beginning to bear fruits. Remain short as the U.S. Dollar continues to gain momentum. Each contract represents 500,000 DM : margin is \$2500.

Note: COMMODITY COMMENTS is now published on a bi-monthly basis.

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