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COMMODITY COMMENTS

November 21st, 1972

<u>Gold:</u>	London's Second Fixing	\$61.10
	Winnipeg April '73	\$63.12
<u>Silver:</u>	December '72	1.7890
<u>Platinum:</u>	January '73	1.3810

After eroding continuously since mid-October, gold prices accelerated their downward course & touched a 5½ - month low at \$59.20. Prices steadied a bit under the influence of shortcovering & managed to close above \$60.00. The recovery was extended today with the second fixing 62½ cents higher at \$61.10.

Responsibility for the decline can be placed on (a) continuous improvement of the U.S. dollar in the European money centers, (b) renewed Soviet sales & (c) long liquidation by stale bulls. We quote from our Commodity Comments dated September 20th (at the time Gold traded at \$65/oz.) : " ... the strengthening of the U.S. dollar is slowly removing the imperativeness for restoring gold convertibility ... the direction towards increasing dollar acceptability takes the pressure off the convertibility issue ... in conclusion, the bloom is off the gold bull market & a retracement to the \$50-55/oz. area is a likely possibility"

We continue to hold to this view & advise selling gold on \$2½-\$3 rallies from any lows. On the Winnipeg Exchange, sell April '73 between \$63.50 & \$64.50, placing protective stops at \$65.50.

Silver followed a similar downward course but, in contrast, held well above its September lows. Comex Warehouse Stocks continue to decline & now stand at just under 84,000,000 ounces.

Silver fundamentals should be construed bullishly in spite of the adverse psychological effect that gold exerts on it. Technically, good support can be found in the 1.80 area & ultimately in the 1.73 - 1.74 area, basis March '73. Traders are expected to buy breaks to these levels for quick trading turns while long term holders may add to their already existing long positions.

Traders with high risk aversion may do very well in purchasing CALL options or Canadian silver coins on dips (for quotes, call us collect at (416)-864-1196).

Platinum futures firmed up with the news of new buyers lining up for the platinoid group catalytic converters. Volvo signed an agreement to buy up to 100,000 platinum-based catalysts a year in 1975-76; Nissan Motors & Leyland were strongly considering such a move. Syd Newman, managing director of Lonrho South Africa Ltd., said that catalytic converters in auto pollution control devices would create a peak demand for platinum of 1.68 million ounces in 1980, decreasing to 0.94 million ounces in 1990 if the converter life was 50,000 miles. For a converter life of 25,000 miles, the peak demand would be 1.92 million ounces in 1982, decreasing to 1.26 million ounces in 1990.

Meanwhile, John Riccardo, president of Chrysler Corporation, told the American Petroleum Convention that a delay in the EPA's auto emission control schedule could result in the required cleared air without the additional costs of using a noble metal to the expense of both the consumer & the U.S. balance at trade. Still very much influenced by political decisions & gold outlook.

Remain on the sidelines.

Copper:

December '72 46.10

Continued bull liquidation has kept this market on the defensive. Open interest for the December '72 contract (first notice day, November 29) remain at the exceedingly high level of 4,500 contracts with deliverable supplies in excess of 54,000 tons. LME Warehouse Stocks post a new postwar high at 192,000 tons. Fabricators' new orders - often used as an indicator of future business activity - fell 10,424 tons below August to 161,499 tons; Fabricators' unfilled orders on Sept. 30 stood at 168,618 tons, down 15,805 from August 31.

On the brighter side: (a) fabricators' refined stocks in September declined to 472,944 tons - off 15,750 from a year earlier & the smallest since March 1968; (b) prices are once again close to their 5 year lows - 44½ - 45¢.

A significant bottom may be formed within the next 10 days. We therefore advise covering all short positions on or before November 29.

TECHNICAL TRENDS

Cocoa:

March '73 32.48
December '73 32.58

Remain long risking 31.65 basis March '73; switch long Dec. '72 into March '73 & maintain a March '73 long - December '73 short spread position.

Cotton:

December '72 33.10
March '73 32.86

Traders have moved to the sidelines as previously suggested. A very tight December delivery situation is shaping up as certificated stocks number a mere 12,497 bales as against a Dec. '72 open interest of 155,800 bales.

