

## FRIEDBERG & CO. LTD.

U.S. CORRESPONDENT: MOCATTA METALS CORPORATION  
CLEARING MEMBER OF LEADING COMMODITY EXCHANGES

### COMMODITY COMMENTS

July 5, 1971

#### SILVER

N.Y. December '71 164.50

Comex Warehouse Stocks rose again this past week although at a much reduced pace. They now stand at 116,367,000 ounces.

The most important piece of news affecting silver this past week was the copper strike called by the USW on Wednesday night. In our opinion, its bullish effect on silver has been highly overated by the press and generally bullish wire houses. We estimate that the strike may cost 20 - 25 million ounces of silver on an annual basis, roughly 5% of total world consumption. Given the very large inventories on hand, this amount could only have had a short term psychological effect on the market.

While a number of developments are increasing pressure for a general rise in prime rates in N.Y., the Comex Silver contango (i.e. the premium of deferred months over nearby ones) has decreased from a high of 1500 points or 9.5% for a one-year switch on Monday to 1390 points on Friday or 8.7%, while the July - September switch declined from 260 points, a yield of 9.7% to 200 points, a yield of 7.7%.

Institutions and other large investors interested in obtaining high yields for short term funds (up to one year) in triple-A quality vehicles should look into switches. We will be more than glad to answer any questions you may have on this point.

In the past week, prices dropped below the January lows by a substantial margin but were unable to carry through as the spot reached its own support at around 155.00 - 156.00. Once again, and aided by news of the copper strike, prices bounced up and ended the week at 164.50 basis December, up 370 points from the intraday lows registered last Tuesday but unchanged for the week.

We continue to be shortsellers on rallies with protective stops at 16750. We would like to point out that a significant ~~downtrend~~ line begun early April is declining at a rate of 150 points per week, thus indicating a lid for this coming Friday at 166.00. The short seller, in effect, is risking

very little by selling below the downtrend line: 300 points by Tuesday, July 5 (based on Friday's close of 16450 basis December), 150 points by Friday, July 9.

The possible rewards for establishing short sales at these levels are well worth the risks. Intermediate objective remains at 143.00 - 146.00 basis December.

### U.S. SILVER COINS FUTURES

January 1221

For long term bulls on silver, we suggest U.S. Silver Coins Futures, a conservative speculation combining a limited downside risk and an unlimited upside potential.

The contract consists of \$10,000 face amount of U.S. Silver Coins in the form of half dollars, quarters or dimes contained in ten bags of \$1,000 of face value each. Each \$1,000 in face amount of U.S. Silver Coins contains approximately 720 fine troy ounces of silver. In essence, then, an investor buying one Silver Coin Futures Contract will enjoy a limited downside risk (as the bag cannot fall below its monetary value of \$1000 no matter how silver goes) while at the same time he will benefit from a rise in the price of silver to the tune of \$7.20 per bag for each 1¢ per oz. of silver.

At 1221 basis January, the premium over its silver bullion equivalent decreased to 2.3% from last week's 2.6%, making it an increasingly attractive speculation.

We recommend the purchase of Silver Coins Futures at 1050 - 60 basis January when silver reaches our objective of 143.00 - 145.00 basis December, as we expect.

### COPPER

September '71 51.85  
March '72 52.20

The copper strike came after all. That goes to prove that contrarian thinking is still the best way to play any market.

What now? We would hate to guess the length of the strike but we can't see producers hurrying to settle as U.S. Consumers are reported to be well covered and LME stocks have reached the record of 101,075 tons. The thinking is that supplies can last around 4 months. Would anybody else care to guess?

According to a recent study by Fluor Utah Engineers, the copper industry may be required to spend more than \$500 million on air pollution control equipment over the next 4 years in order to meet government standards. It is estimated

that this could add 10% to the cost of U.S. Copper production.

Technically speaking copper seems to be headed higher in the near future. A powerful reversal occurred Thursday on news of the strike and a bullish 'W' may be in the making. Curiously enough, this reversal reads an intermediate term objective of 59.55 basis September, exactly the high point reached in late March of this year.

Strategy - (A) We would be buyers on dips. Protective stops should be placed at 4920 basis September.

(B) For the more conservative trader, we advise selling September '71 - March '72 spreads at minimum 30 points. Selling the spread just means taking a long position in September copper and, simultaneously, selling short March '72. We recommend it on the assumption that the strike will put a premium on the near term delivery months making September rise more/decline less than March '72. If the supply situation tightens, we might see a 200 point premium on September over March as against the present 35 points discount. Risk is estimated at 50 points or \$125 and reward at 230 points or \$575 per spread. Margin required for a copper spread is \$300 and commission is 70% of regular trades.

## GOLD

London's Second Fixing \$40.30

Chamber of mines of South Africa President, A.A. Von Maltitz said in his presidential address to the Annual meeting in Johannesburg that while gold output in South African mines increased by 28,000 kg. to a new record of 989,000 kg. in 1970, working costs also rose. The increase per ton milled, after averaging just over 2% annually for the 3 years 1967-69, was 3.8% in 1970 and this rising trend continued in the first quarter of 1971.

The monetary uncertainty of April and May is slowly fading away with the Bundesbank managing to dispose daily amounts in excess of \$100 million dollars daily from its huge dollar price and agreeing to buy from the U.S. Treasury 5 billion dollars worth of special intermediate notes.

Clearly, the \$40 plus level of gold is not based on speculation but rather, on accelerating demand vs. a slowly decreasing rate of increase of output.

## PLATINUM

January '72 116.20

This market is becoming increasingly more attractive as time goes by. A lateral to slightly firmer move continues and open interest has now dropped

below 5200 from around 5450 one month ago.

We are witnessing a basing out period with prices ranging from 120.00 to 100.00 basis January 1972. For the moment we prefer to await on the sidelines until further evidence that the 'base' has been completed. We would be buyers, however, on a breakaway above 120 or a dip to the 106-108 area. Keep in close contact.

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Friedberg & Co. Ltd. conducts a brokerage business in commodities futures specializing in metals. Our U.S. Correspondent, Mocatta Metals Corporation is a clearing member of leading U.S. commodity exchanges and specialists in silver, copper, platinum, gold, and other non-ferrous metals. Through their facilities and other trade and banking sources, we maintain up to the minute information on the world's latest developments that may effect the price structure of metals.

We will be glad to answer questions that you may have concerning futures trading and how you can profit through intelligent speculation.

Albert D. Friedberg, M.B.A.