

PRECIOUS METALS (GOLD & SILVER)

October 10 - 15, 2005

MAJOR ACTIVITY HIGHLIGHTS

- December Gold at the COMEX on the last trading day of the week ended down \$2.7 at \$471.8 per ounce. For the week the yellow metal lost \$5.90 to its previous week level. The precious metal became slightly cheaper by \$1.3 per ounce during the week at the London (am-fix) spot market.
- However Silver December contract added 12.7 cents during last trading day of the week at \$7.862. The contract managed to gain 9.8 cents during the week. At London spot market the white metal is asking \$7.67 for its one ounce.
- During late U.S. trading the euro was trading at \$1.2072 up from last week's \$1.21275. Dollar was trading at 1.1991 per Euro on Tuesday and looking strong but then it lost its steam and came down after different U.S. data were released on Thursday and Friday.
- However dollar ended the week slightly stronger against Yen at 113.78 Yen per Dollar against 113.47 Yen per Dollar on the corresponding day of previous week.
- Crude for December delivery closed at \$61.99 a barrel on the last trading day becoming cheaper by a marginal \$0.66. However the energy contract gained marginally by \$0.37 during the week. It traded as high as \$63.9 per barrel on Wednesday and made ground at \$60.15 on Monday.
- U.S. inflation surged to 1.2%, however core inflation remained under control at 0.1% in September.
- U.S. import prices increased 2.3% in September whereas export prices increased 0.9%.
- Industrial production for the largest economy fell by 1.3% during September.
- The Consumer Sentiments Index fell during October to 75.4 from 76.9 in September.
- The U.S. jobless claims decreased 2,000 during this week as compared to previous week.

PRICES

Spot Rate of Silver (Delhi Spot: Rs/Kg; London Spot: Cents/Troy Ounce) (One Troy Ounce = 31.10347 Grams)

Date	Delhi	London
Oct. 10, 2005	11561.00	777.5
Oct. 11, 2005	11534.00	776.00
Oct. 12, 2005	11630.00	784.50
Oct. 13, 2005	11552.00	773.50
Oct. 14, 2005	11503.00	767.00
Oct. 15, 2005	11542.00	---

Silver Futures (Rs/Kg)

Date	NCDEX NOV.Contract of Silver	NCDEX Chandl 30 kg Silver NOV Contract
Oct. 10, 2005	11600.00	11150.00
Oct. 11, 2005	11658.00	11150.00
Oct. 12, 2005	11628.00	11150.00
Oct. 13, 2005	11535.00	11150.00
Oct. 14, 2005	11590.00	11150.00
Oct. 15, 2005	11571.00	11150.00

Spot Rate of Gold (Mumbai Spot: Rs/10 Gm; London Spot: Cents/Troy Ounce)

Date	Mumbai	London (am fix)	London (pm fix)
Oct. 10, 2005	6984.00	477.50	473.20
Oct. 11, 2005	6994.00	475.50	475.50
Oct. 12, 2005	7036.00	478.50	475.10
Oct. 13, 2005	6958.00	471.25	469.50
Oct. 14, 2005	6932.00	470.70	466.00
Oct. 15, 2005	---	---	---

Gold Futures (COMEX-\$/Ounce; NCDEX- Rs/10 gm)

Date	COMEX DEC. Contract	NCDEX Gold Nov Contract	NCDEX Sona 1 kg Gold DEC Contract
Oct. 10, 2005	478.00	6857.00	6800.00
Oct. 11, 2005	479.80	6886.00	6800.00
Oct. 12, 2005	476.60	6864.00	6800.00
Oct. 13, 2005	473.80	6848.00	6800.00
Oct. 14, 2005	471.80	6825.00	7050.00
Oct. 15, 2005	6834.00	6820.00

SUPPLY AND DEMAND STATISTICS of GOLD (LATEST)

Particulars	2003	2004	% Change 2004vs03	Q1'04	Q2'Q4	Q1'05	Q2'05	% Change Q4'04 vs. Q4'03	% change H1'05 vs H1'04
Supply									
Mine Production	2,593	2,464	-4.9	573	605	596	620	2.5	3.2
Net Producer Hedging	-270	-428	58.3	-65	-107	-22	-85
Total Mine Supply	2,322	2,036	-12.3	508	497	574	535	7.5	10.3
Official Sector Sales	617	478	-22.6	119	79	258	147	85.9	104.9
Old Gold Scrap	939	828	-11.9	235	206	216	213	3.2	-2.8
Total Supply	3,879	3,342	-13.8	861	783	1,048	895	14.3	18.2
Demand									
Jewellery fabrication	2,481	2,611	5.2	602	671	714	755	12.5	15.3
Industrial and dental	379	408	7.5	100	108	99	112	3.6	1.2
Net retail investment	292	343	17.5	83	86	119	111	28.6	35.8
Exchange Traded Funds And Similar	39	133	236.9	16	5	89	-2	...	309.3
Total identifiable demand	3,191	3,494	9.5	803	870	1,021	976	12.2	19.4
Balance	687	-152	...	59	-88	-34	47

Figures in Tonnes

Source: WGC

FUNDAMENTAL ANALYSIS

The weekend saw number of U.S. economic data released and the market reacted to them in a confused manner. The data are sending mixed signals. Market was waiting curiously for these data during the whole week. U.S. inflation surged to its 25 years high rising 1.2% during September but core inflation is under control at 0.1%. The economists were expecting inflation to rise to 0.9% and core inflation to 0.2. the record 12% rise in crude prices was the main contributor to the CPI's surge. The report should keep the Federal Reserve on track to more interest rates hikes during coming meetings. During the month the import prices increased by 3.8% and industrial production fell by 1.3%. though the core inflation rate is magically under controlled levels the soaring energy and food prices (which are excluded for calculation of core inflation) needs attention. Crude oil prices fell during this week to a level not seen since July, touching as low as \$60.15 and closing marginally up at \$61.99 a barrel marks. The December crude contract gained only marginally at NYMEX as demand is still weak due to high prices and stocks are improving. The contract touched its highest level of the week on Wednesday (\$63.9). Data from the Energy Department showed that fuel consumption over the past month declined by almost 3 percent compared with last year. However it is too soon to tell whether the drop off in demand will hold or was a short-term phenomenon. Recently reported soft U.S. data may induce people to keep demand low but the extent of curb in demand will be affected by the winter season's need. .

The dollar gained against Euro during the first half of the week and then it lost its steam after the U.S. data released on Thursday and Friday. However it gained slightly against the Japanese currency. Dollar remained stronger against

yen during the whole week and was trading above 114 yen per dollar. Dollar showed its muscles against Yen mainly due to Japanese investors' attraction towards funds invested in high yielding bonds. Also the feds frequent announcements to hike the interest rates helped the currency in maintaining its health. Dollar lost its steam against Euro during the later part of week before soft U.S. data for inflation, industrial production, trade deficit etc.

The greenback gained marginally against Euro and was changing hands at \$1.2072 per Euro on Friday against \$1.21275 on corresponding day of the last week. It was as strong as \$1.1919 per Euro on Wednesday. It gained slightly against Yen during the week and was exchanging hands at 114.04 Yen per dollar.

November Gold at NCDEX gained mere Rs 4 during the week. It touched Rs 6931 levels on Wednesday before closing at Rs 6830. The contract was trading at high levels on Wednesday making new highs despite strong dollar but then it lost towards the end of the week on the back of not very favorable U.S. data. It looks like metal is consolidating at this level and making strong base for the further move. The metal became costlier by mere Rs 9 at spot market during the week and was closed at Rs 6911 per 10 gm levels.. Gold December contract at COMEX lost \$5.9 at \$471.8 for the week. The yellow metal showed a range bound movement during the week. The white metal followed negated the movements in gold and added a healthy Rs 180 for the week at Delhi spot market. October silver at NCDEX gained initially and then lost its steam towards the end of the week. It traded at Rs 11668 on Thursday before closing the week at Rs 11571 at a gain of Rs 89.

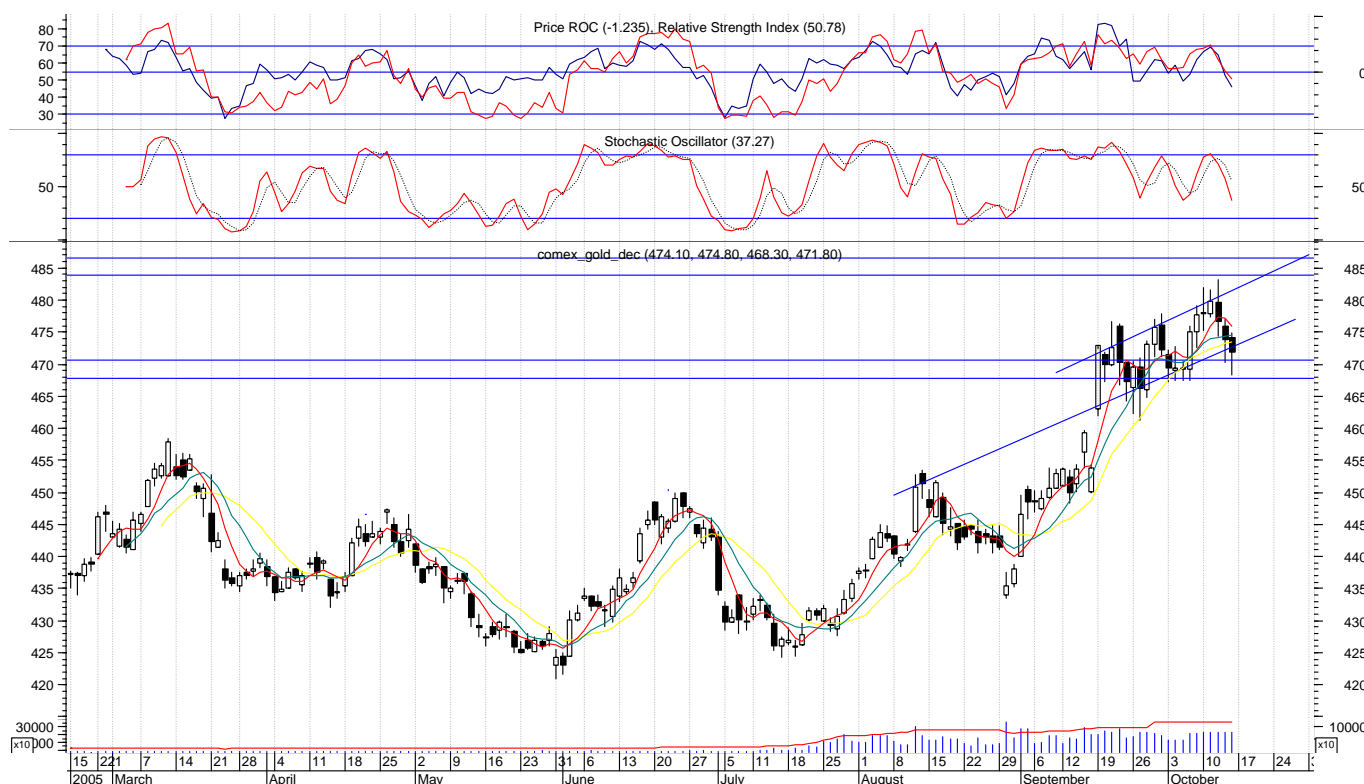
The key for the precious metals will be the position of the crude price during the coming week as it has started to feel pressure of winter season demand. It will be hard to say about dollars' strength as the recently declared U.S. economic data are sending some mixed signals. Even if the greenback maintains its health at current levels any notable rise in crude would support the metal. Uncertainty about the largest economy's health is another favorable point for the

yellow metal. We expect the metal prices to continue its last week's consolidation initially and then improve towards the end of the week. However silver in domestic market may slightly disagree with the Comex rates and physical demand may provide some extra cushion to the metal. The white metal prices are expected to move two-step forward and one step back. We don't see any strong surge in prices.

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



The majority of indicators are showing weakness in the prices for the coming week. Though short term moving average above long term is a bullish sign but Stochastic, Price ROC and RSI are not supporting the same. Last weeks consolidation may continue in the coming week, as there is no sign of strong bullishness. After some consolidation prices may improve further as in medium & long run metal is still bullish.

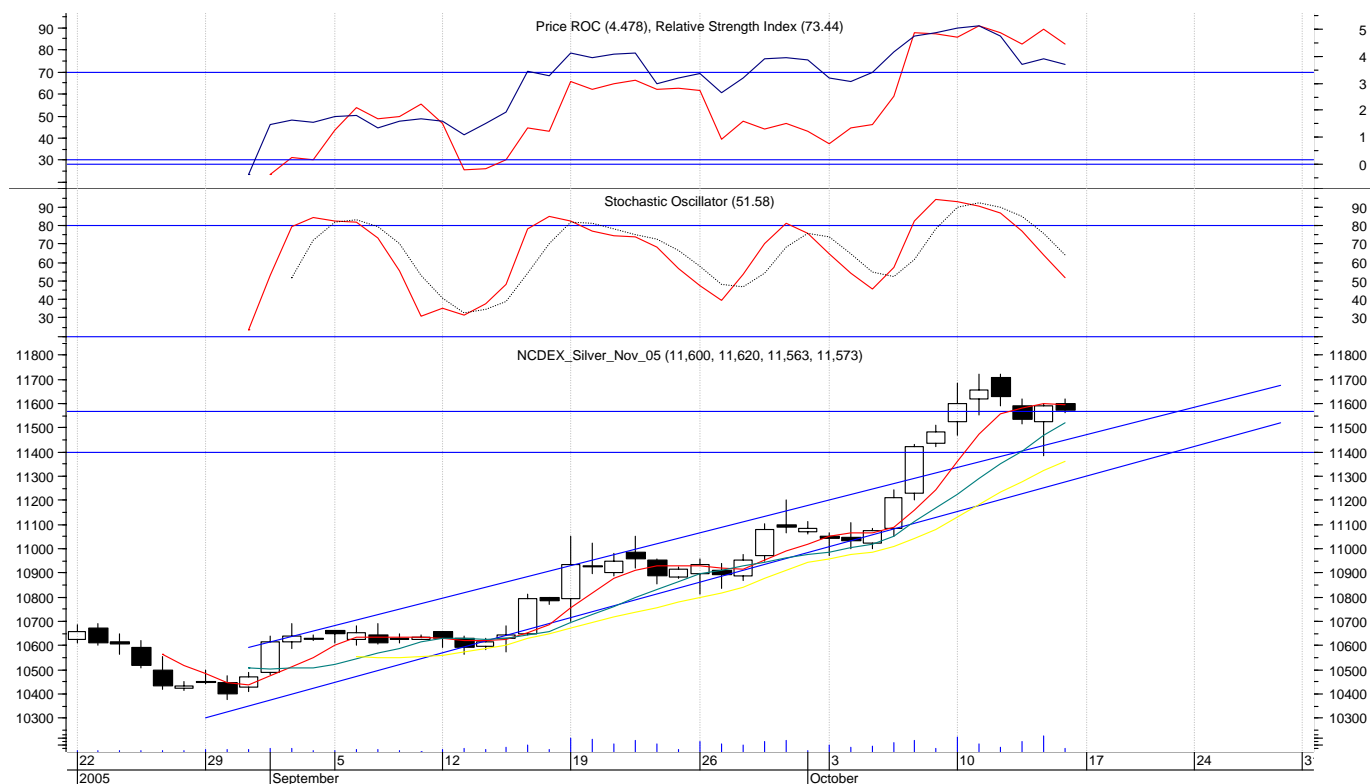
Recommendation: Remain Long

Support and resistance Levels:

Contract	S-1	S- 2	R- 1	R - 2
COMEX December	470.7	467.8	484.0	486.5
NCDEX August	6823	6779	6898.0	6929

It is always recommended to include gold in portfolio. The reason is its negative correlation with other financial assets. It is very hard to find any asset negatively correlated to other assets like gold is. So by including gold in portfolio one can diversify one's portfolio and reduce risk. Return per unit of risk in such portfolio is usually high.

Commodity: SILVER
 Contract: NCDEX November Contract
 Periodicity: Weekly



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Recommendation: Remain Long

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX October	11566	11401	11689	11736

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