

PRECIOUS METALS (GOLD & SILVER)

October 17 - 22, 2005

MAJOR ACTIVITY HIGHLIGHTS

- Gold for December delivery closed at \$469.10 an ounce on the New York Mercantile Exchange, up \$5.90, or 1.3%, for the session. But the contract lost \$13.40 over the past three sessions so it closed 0.6%, or \$2.70, below the week-ago close of \$471.80.
- The precious metal became cheaper by \$7.55 per ounce at \$463.15 during the week at the London (am fix) spot market.
- December silver closed higher, up 4 cents at \$7.695 an ounce -- down about 2% from last Friday's close of \$7.862. At London spot market the white metal shed 7 cents during the week at \$7.60 an ounce.
- The dollar rose to 115.90 yen in New York from 115.32 late Thursday. It is 1.4 percent higher for the week. It also advanced to \$1.1950 per euro from \$1.2023, and for the week it is up about 1.1 percent as higher U.S. interest rates and bond yields lure international investors.
- Crude for December delivery closed at \$60.63 a barrel on the last trading day becoming marginally costlier by \$0.61. However the energy contract gained lost \$1.36 during the week. It traded as low as \$59.15 per barrel on Friday.
- In the week ending Oct. 15, the advance figure for seasonally adjusted initial claims was 355,000, a decrease of 35,000 from the previous week's revised figure of 390,000.
- World gold council projects Indian gold demand for 2005, to increase by 33% to 850 tons, due to improved economic conditions in the country.

The U.S. Producers Price Index (PPI) rose 1.9% in September, the biggest jump in 15 years. Price increases were led by energy which recorded 7.1% rise. Food prices also soared, rising 1.4% on a record 49% increase in egg prices.

PRICES

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

Date	Delhi	London
Oct. 17, 2005	11649.00	786.00
Oct. 18, 2005	11616.00	777.50
Oct. 19, 2005	11544.00	773.00
Oct. 20, 2005	11479.00	760.00
Oct. 21, 2005	11501.00	760.00
Oct. 22, 2005	11528.00	---

Silver Futures (Rs/Kg)

Date	NCDEX NOV. Contract of Silver	NCDEX Chandi 30 kg Silver NOV Contract
Oct. 17, 2005	11633.00	11150.000
Oct. 18, 2005	11616.00	11500.00
Oct. 19, 2005	11447.00	11500.00
Oct. 20, 2005	11460.00	11350.00
Oct. 21, 2005	11495.00	11350.00
Oct. 22, 2005	11494.00	11350.00

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

Date	Mumbai	London (am fix)	London (pm fix)
Oct. 17, 2005	6939.00	472.35	474.50
Oct. 18, 2005	6999.00	473.00	472.00
Oct. 19, 2005	6969.00	468.40	465.90
Oct. 20, 2005	6885.00	464.00	464.30
Oct. 21, 2005	6854.00	463.15	462.84
Oct. 22, 2005	6902.00

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

Date	COMEX DEC. Contract	NCDEX Nov Contract	Gold NCDEX 1 kg Gold DEC Contract	Sona DEC
Oct. 17, 2005	476.60	6887.00	7000.00	
Oct. 18, 2005	474.60	6882.00	6800.00	
Oct. 19, 2005	465.80	6819.00	6800.00	
Oct. 20, 2005	463.20	6810.00	6775.00	
Oct. 21, 2005	469.10	6854.00	6815.00	
Oct. 22, 2005	6852.00	6715.00	

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 week saw the greenback in strong position with energy prices declining to comfortable levels of \$60.63. the energy prices surged on Monday on the back of fears regarding the Hurricane Wilma which was feared to hit the Gulf of Mexico. Once Wilma changed its direction and refinery facilities were found safe the energy prices started its south journey. The December gold futures also surged on Monday to the week's highest mark \$478 on the face of rising crude prices and fears of hurricane Wilma. After this surge the prices remained subdued during the week as strong dollar and cheaper crude constrained it.

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 \$60.639 a barrel marks. The December crude contract gained on Monday on the back of the fears of new hurricane Wilma. 'Wilma' caused threat to energy output as the National Hurricane Center forecasted that Tropical Storm Wilma would become a hurricane on Tuesday and head into the heart of the Gulf of Mexico. After Wilma changed its direction the crude prices started falling and ended the week with a loss of \$1.37. December crude at COMEX touched as low as 59.15 on Friday before closing at \$60.63 per barrel. The slide came after U.S. data on Thursday showed a big rise in natural gas stocks, adding to a huge build in crude and a shock rise in gasoline inventories reported on Wednesday. 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 wrapped up a sixth straight weekly gain against the yen and the sixth in seven weeks versus the euro, as higher U.S. interest rates and bond yields lure international investors. The dollar rose to 115.90 yen in New York from

115.32 late Thursday. It is 1.4 percent higher for the week. It also advanced to \$1.1950 per euro from \$1.2023, and for the week it is up about 1.1 percent. . It was strongest on Wednesday and traded at \$1.1875 per Euro and 115.965 Yen per dollar.

Gold futures climbed almost \$6 an ounce Friday, but still ended the week with a minor loss due to a three-session losing streak that yielded a decline of more than \$13 an ounce. Gold for December delivery closed at \$469.10 an ounce on the New York Mercantile Exchange, up \$5.90, or 1.3%, for the session. But the contract lost \$13.40 over the past three sessions so it closed 0.6%, or \$2.70, below the week-ago close of \$471.80.

November Gold at NCDEX gained mere Rs 22 during the week. It touched Rs 6900 levels on Tuesday before closing the week at Rs 6852. With strong dollar and cheaper crude it touched as low as Rs 6788 on Friday. Even record rise in PPI to 1.9% couldn't help the metal to surge. The yellow metal showed a range bound movement during the week in the absence of any strong rally. November contract of the white metal rose to Rs 11682 on Monday on the back of rising crude prices and fears of Wilma. But rally lost its steam from next day and the metal ended the week with a loss of Rs 77. at Rs 11494.

The precious metals ended the week with some losses thanks to strong dollar and falling crude prices. The important point during the coming week will be the physical buying interest in the gold during Diwali and Id. The recent demand projections by World Gold Council shows increase in projected Indian demand for 2005, which certainly gives some support to the metal. In the scenario of strong dollar and lower crude prices the physical demand would be the

key for the metal. Improved economic conditions in China and India gives some hope to this thought. As during the favorable economic conditions people park their money in gold. However any negative news regarding gold may cause some heavy selling in yellow metal. Overall gold is expected to move at very slow pace as the investors are still very cautious. We expect gold to move two step

forward and one step back during the coming week. Though silver is maintaining its upward move with some support from strong copper, we don't expect it to continue for long without the support of yellow metal. If gold witnesses correction the metal will be definitely under pressure and will follow it.

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



The majority of indicators are still showing weakness in the prices for the coming week. Stochastic indicator is in the neutral region however it is heading toward oversold zone. Price ROC is turning up but it still needs some conformation. MACD is also showing bearishness. Market is still weak with close under the pivot. Last weeks consolidation may continue in the coming week, as there is no sign of strong bullishness. The Next downside objective is \$465.8 and below that 456.7 and the next area of resistance is 472.2 and 476.4.

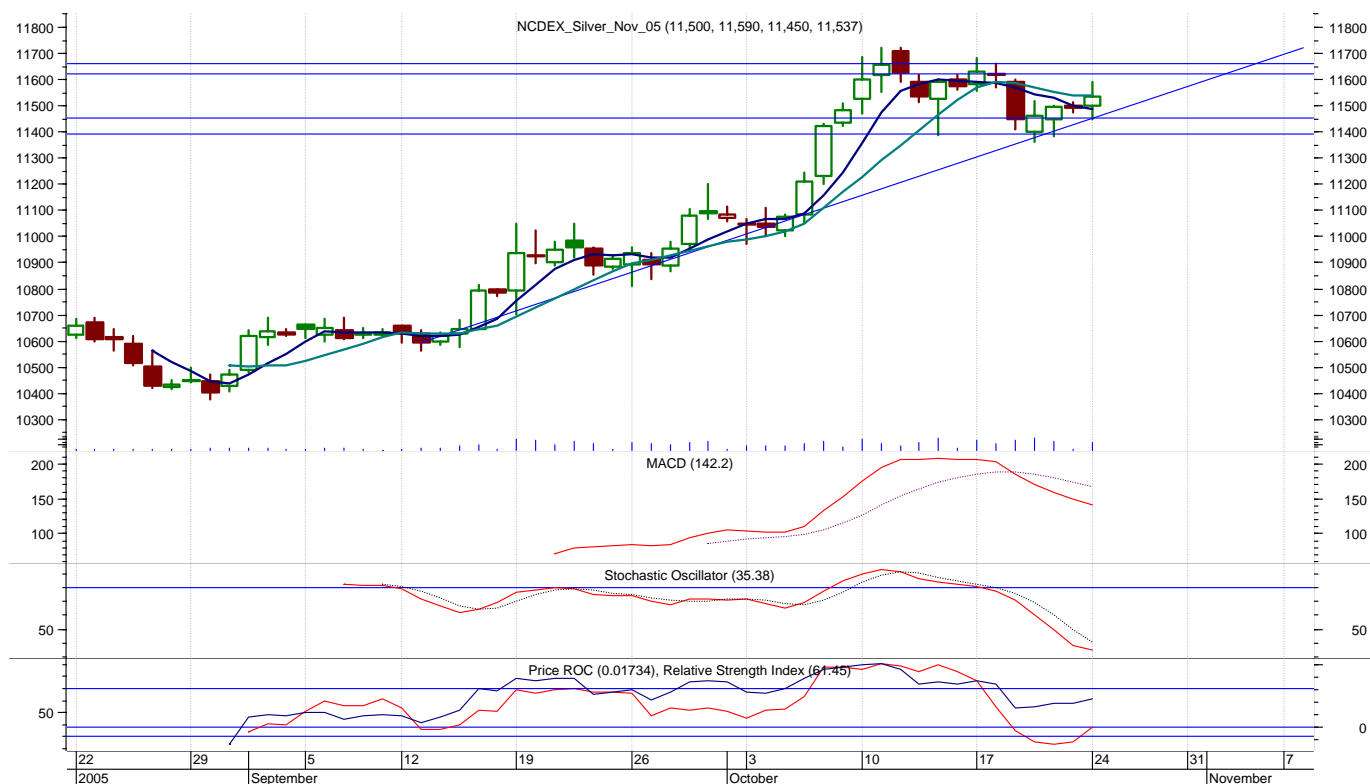
Recommendation: Buy below 6800

Support and resistance Levels:

Contract	S-1	S- 2	R- 1	R - 2
COMEX December	465	456.7	472.2	476.4
NCDEX August	6820	6779	6886.0	6900

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



The majority of indicators are still showing weakness in the prices for the coming week. Stochastic indicator is in the neutral region however it is heading toward oversold zone. Price ROC is turning up but it still needs some conformation. MACD is also showing bearishness. Market is still weak with close under the pivot. Last weeks consolidation may continue in the coming week, as there is no sign of strong bullishness.

Recommendation: Sell above 11620

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX October	11451	11393	11620	11660

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