

PRECIOUS METALS (GOLD & SILVER)

October03 - 08, 2005

MAJOR ACTIVITY HIGHLIGHTS

- December Gold at the COMEX on the last trading day of the week ended up\$2.7 at \$477.7 per ounce. For the week the yellow metal added \$5.40 to its previous week level. The precious metal became costlier by \$7 per ounce during the week at the London spot market.
- Silver December contract also added 17.5 cents during last trading day of the week at \$7.77. The contract gained 25.8 cents during the week. At London spot market the white metal is asking \$7.62 for its one ounce.
- During late U.S. trading the euro was trading at \$1.2127 up from last week's \$1.2024. Dollar was trading at 1.1916 per Euro on Wednesday and looking strong but then it lost its steam and came down to 1.2177 levels on Thursday after weekly U.S. jobless claim data released.
- 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 \$61.62 a barrel on the last trading day becoming costlier by a marginal \$0.56. However the energy contract lost \$4.61 during the week on curbed demand due to high prices. Crude prices touched as low as \$60.90 on the last trading day of the week.
- The Conference Board Consumer Confidence Index, which was rebounded in August, plummeted in September. The Index now stands at 86.6 (1985=100), down from 105.5 in August. The Expectation Index fell to 71.7 from 93.3 last month.
- The U.S. economy shed 35,000 jobs in September, fewer than feared despite Hurricane Katrina a Labor department report showed on Friday.

PRICES

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

Date	Delhi	London
Oct. 03, 2005	10913.00	737.5
Oct. 04, 2005	10980.00	743.00
Oct. 05, 2005	10940.00	734.50
Oct. 06, 2005	1100.00	743.00
Oct. 07, 2005	1124800	762.00
Oct. 08, 2005	1136200	---

Silver Futures (Rs/Kg)

Date	NCDEX Oct Contract of Silver	NCDEX Chandi 30 kg Silver NOV Contract
Oct. 03, 2005	10998.00	11500.00
Oct. 04, 2005	10995.00	10750.00
Oct. 05, 2005	11037.00	10950.00
Oct. 06, 2005	11181.00	11150.00
Oct. 07, 2005	11407.00	11150.00
Oct. 08, 2005	11458.00	.....

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

Date	Mumbai	London (am fix)	London (pm fix)
Oct. 03, 2005	6738.00	465.00	466.10
Oct. 04, 2005	6777.00	465.65	467.45
Oct. 05, 2005	6755.00	462.00	463.50
Oct. 06, 2005	6768.00	472.50	471.80
Oct. 07, 2005	6866.00	473.40	472.70
Oct. 08, 2005	6902.00	....	....

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

Date	COMEX DEC. Contract	NCDEX Gold OCT Contract	NCDEX Sona 1 kg OCT.
Oct. 03, 2005	469.30	6701.00	6660.00
Oct. 04, 2005	469.30	6719.00	6660.00
Oct. 05, 2005	469.30	6711.00	6660.00
Oct. 06, 2005	475.00	6779.00	6660.00
Oct. 07, 2005	477.70	6775.00	6900.00
Oct. 08, 2005	.....	6836.00	.....

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 crude oil prices fell during this week to a level not seen since July, touching as low as \$60.90 and closing marginally up at \$61.62 a barrel marks. The December crude contract lost \$4.61 during the week at COMEX after data showed the world's top consumer was using less gasoline and other fuels due to higher prices. New data from the Energy Department showed that fuel consumption over the past month declined by almost 3 percent compared with last year. Washington's expressed readiness to use emergency crude or heating oil inventories to offset lost supplies this winter might be another reason for the lower oil prices. However it is too soon to tell whether the drop off in demand will hold or was a short-term phenomenon. But it definitely has the market's attention for the moment, overshadowing government data that show crude oil and gasoline supplies are shrinking. Oil prices rose on Friday, rebounding from a two-month low hit on Thursday as traders weigh slow recovery of U.S. refinery and oil field outages against signs of weakening demand.

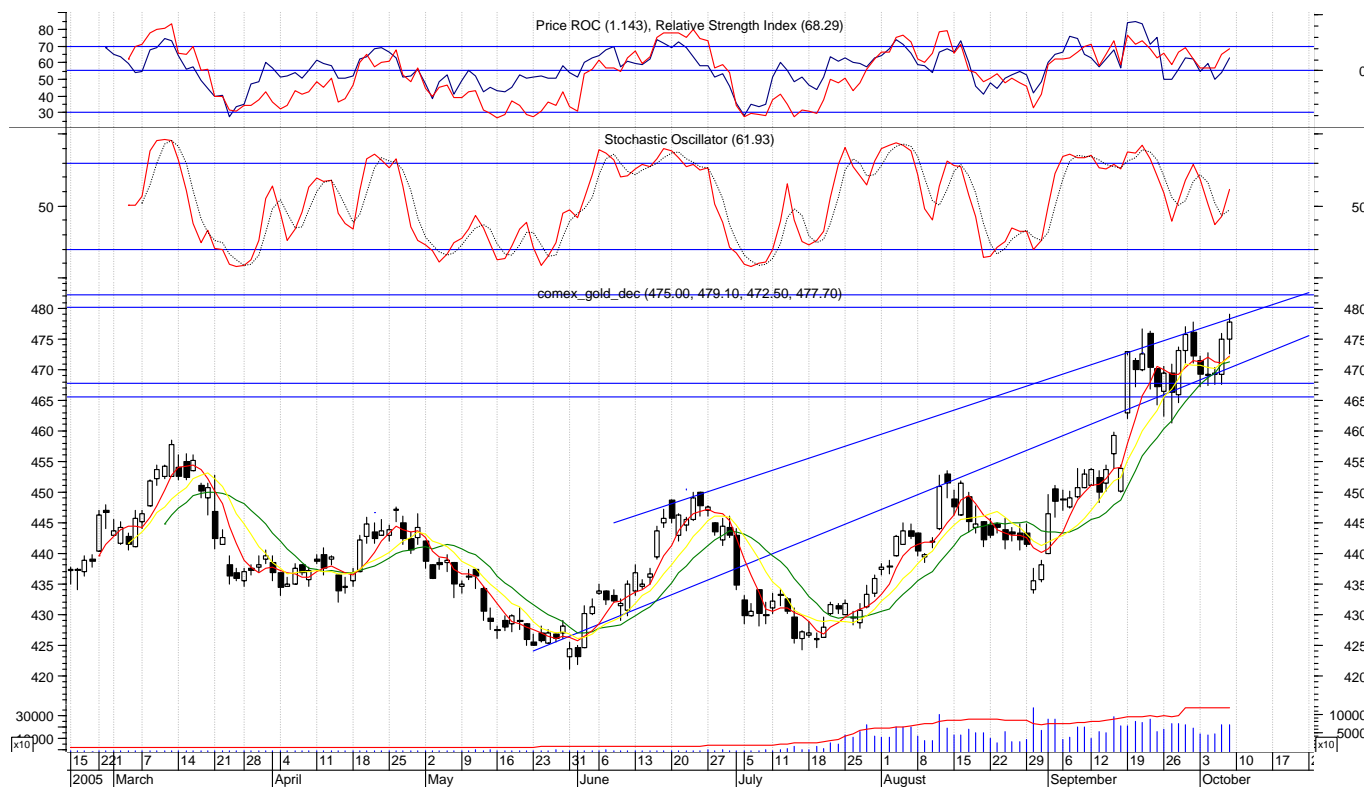
The dollar weakened against Euro during the week but still at high levels against Yen. Dollar showed its muscles against Yen mainly due to Japanese investors' attraction towards funds invested in high yielding bonds. Also the fed's frequent announcements to hike the interest rates helped the currency in maintaining its health. Dollar lost its steam against Euro during the later part of week before a report from the Institute of Supply Management that economists predict slowing growth in U.S. services industries. Further the greenback fell on the back of the reports that Venezuela was moving its reserves out of U.S and Russia may revalue Ruble. At the same time the U.S. economy shed 35,000 jobs in September, though it was fewer than feared..

The greenback weakened marginally against Euro and was changing hands at \$1.2127 per Euro on the last day of week against \$1.2024 on corresponding day last week. It was as strong as \$1.1917 per Euro on Tuesday. However the greenback gained slightly against Yen during the week and was exchanging hands at 113.78 Yen per dollar.

October Gold at NCDEX gained Rs 105 during the week. It touched Rs 6847 levels during the week before closing at Rs66836. the contract added Rs 120 i.e. 1.78% during Thursday and Friday. The metal surged on slight weakening of dollar during the weekend and heavy demand from India, China and Middle East. The metal became costlier by Rs 134 at spot market during the week and was closed at a record Rs 6902 levels.. Gold December contract at COMEX added \$5.4 at \$477.7 for the week. The yellow metal added 2.02% on Friday alone. The white metal followed the path of gold and added a healthy Rs 372 at Delhi spot market. October silver at NCDEX bounced to Rs 11458 adding Rs 398 for the week.

The key for the precious metals will be the strength of the greenback and crude prices during the next week. It will be hard to say about dollars' strength. As on the one hand high commodity prices and labor cost are hitting dollar and on the other hand fed is trying hard to control the inflation by increasing interest rate. Slightly eased crude prices are also giving some support to the currency. Similarly it is hard to conclude that current fall in crude demand are temporary or permanent. Supply side is still weak, thanks to slower recovery of U.S. refineries. There is a good chance of crude bouncing back. If the precious metals get a little support from crude and dollar or even they maintains their current position they will celebrate the festivals in style.

Commodity: GOLD
Contract: COMEX December Contract (GCZ05)
Term: Short-term (Weekly)



The indicators are showing strength in the prices to continue in the next week. Majority of the indicators are confirming the bullish scenario. However Price ROC and RSI are showing some sluggishness in pace. The metal is expected to remain bullish during the week, however some consolidation at these high levels may affect the pace. Even some corrections during early part of the week cannot be ruled out.

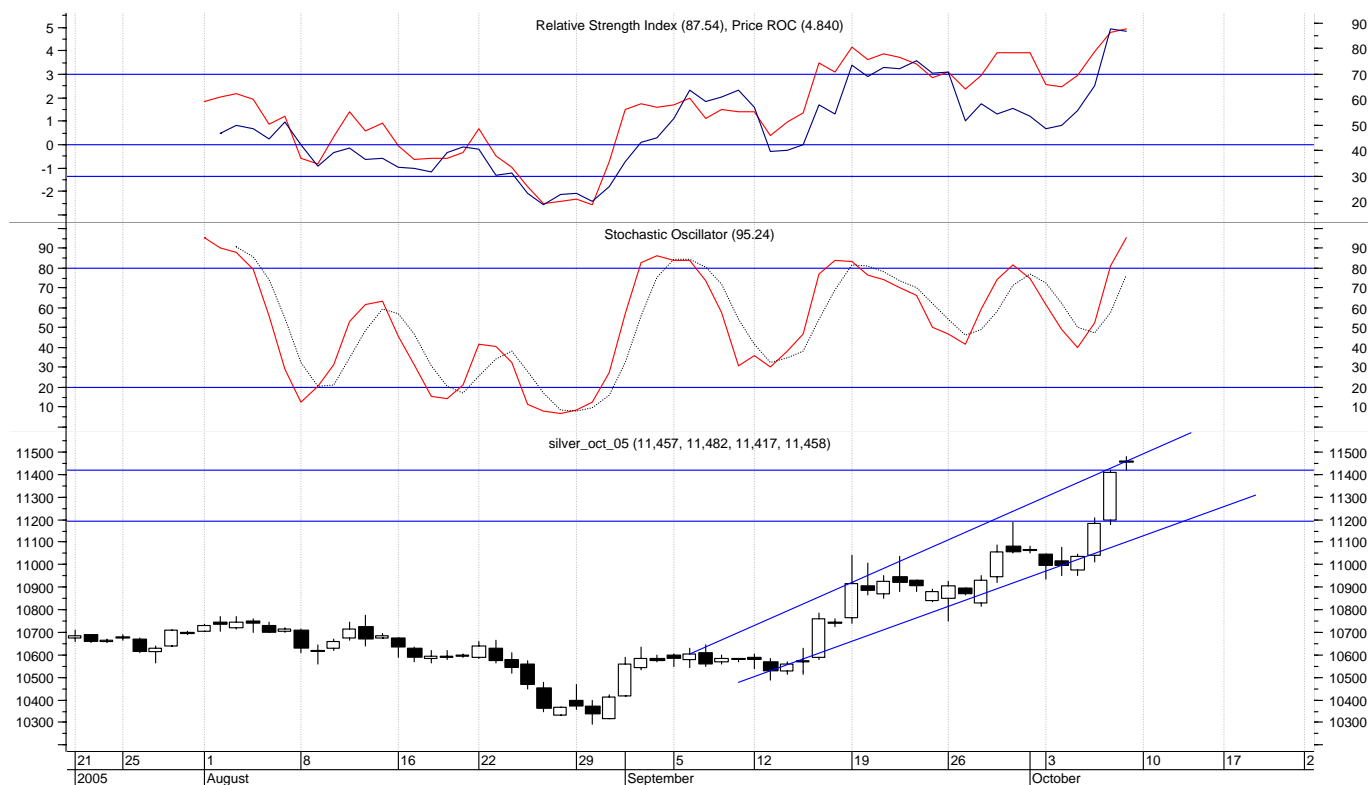
Recommendation: Remain Long

Support and resistance Levels:

Contract	S-1	S- 2	R- 1	R - 2
COMEX December	470.3	467.8	482.2	490.3
NCDEX August	6725	6691	6896.6	6957

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 September Contract
Periodicity: Weekly



The indicators are showing strength in the prices to continue in the next week. Majority of the indicators are confirming the bullish scenario.. The metal is expected to remain bullish during the week, however some consolidation at these high levels may affect the pace. Even some corrections during early part of the week cannot be ruled out.

Recommendation: Remain Long

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R- 2
NCDEX October	11422	11193	11643	11818

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