

PRECIOUS METALS (GOLD & SILVER)

Sept.26 - Oct.01, 2005

MAJOR ACTIVITY HIGHLIGHTS

- The gold December contract at the COMEX on the last trading day of the week ended down\$3.5 at \$472.3 per ounce. For the week the yellow metal added \$5.10 or 1 per cent to its previous week level. The metal added \$ 34.2 for the month. .
- Silver September contract also lost 4.3 cents during last trading day of the week moderating its gain for the week to 15.7 cents to close at \$7.512 per ounce.
- During late U.S. trading the euro was trading at \$1.2024 slightly down from last week's \$1.20365. Dollar was trading at 1.2011 per Euro on Monday and looking strong but then it lost its steam to go past 1.20 levels. Similarly dollar also ended the week slightly stronger against Yen at 113.47 Yen per Dollar against 112.475 Yen per Dollar on corresponding day of previous week.
- Crude for December delivery closed at \$66.23 a barrel on the last trading day becoming cheaper by a marginal \$0.06. However the contract added \$1.71 for the week. Crude prices touched as high as \$67.4 on Wednesday where as the ground level for the week was \$63.11 on Monday.
- 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 Federal Reserve raised interest rates by a quarter points to 3.75% its highest level since August 2001. the target rates are expected to be raised to 4.5% in January.

PRICES

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

Date	Delhi	London
Sept. 26, 2005	10771.00	722.50
Sept. 27, 2005	10850.00	729.50
Sept. 28, 2005	10835.00	727.00
Sept. 29, 2005	10946.00	740.00
Sept. 30, 2005	11029.00	753.00
Oct. 01, 2005	10999.00	---

Silver Futures (Rs/Kg)

Date	NCDEX Oct Contract of Silver	NCDEX Chandi 30 kg Silver NOV Contract
Sept. 26, 2005	10906.00	10849.00
Sept. 27, 2005	10844.00	10730.00
Sept. 28, 2005	10929.00	10921.00
Sept. 29, 2005	11059.00	10960.00
Sept. 30, 2005	11059.00	11132.00
Oct. 01, 2005	11061.00	11500.00

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

Date	Mumbai	London (am fix)	London (pm fix)
Sept. 26, 2005	6648.00	461.05	461.70
Sept. 27, 2005	6705.00	465.65	464.10
Sept. 28, 2005	6682.00	462.00	464.00
Sept. 29, 2005	6772.00	472.50	472.40
Sept. 30, 2005	6798.00	473.40	473.25
Oct. 01, 2005	6768.00

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

Date	COMEX DEC. Contract	NCDEX Gold OCT Contract	NCDEX Sona 1 kg Gold OCT. Contract
Sept. 26, 2005	469.50	6648.00	6050.00
Sept. 27, 2005	466.20	6705.00	6050.00
Sept. 28, 2005	473.10	6682.00	6050.00
Sept. 29, 2005	475.80	6772.00	6050.00
Sept. 30, 2005	472.30	6724.00	6050.00
Oct. 01, 2005	6731.00

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 looked consolidating this week touching &67.4 per barrel on Wednesday and then closing the week with moderate gain of \$1.71 at \$66.23. The US Energy department reported that 15% of US energy refining capacity are still remaining shut which has delayed the start by refineries to build stock of heating oil for the coming winter season. High demand during the winter and supply shortage may put energy on fire again. Still there are doubts regarding the extent of losses made by these Hurricanes and its after effects. But it is sure that U.S. will be widening its deficits further as a huge sum of money will be diverted towards the relief work.

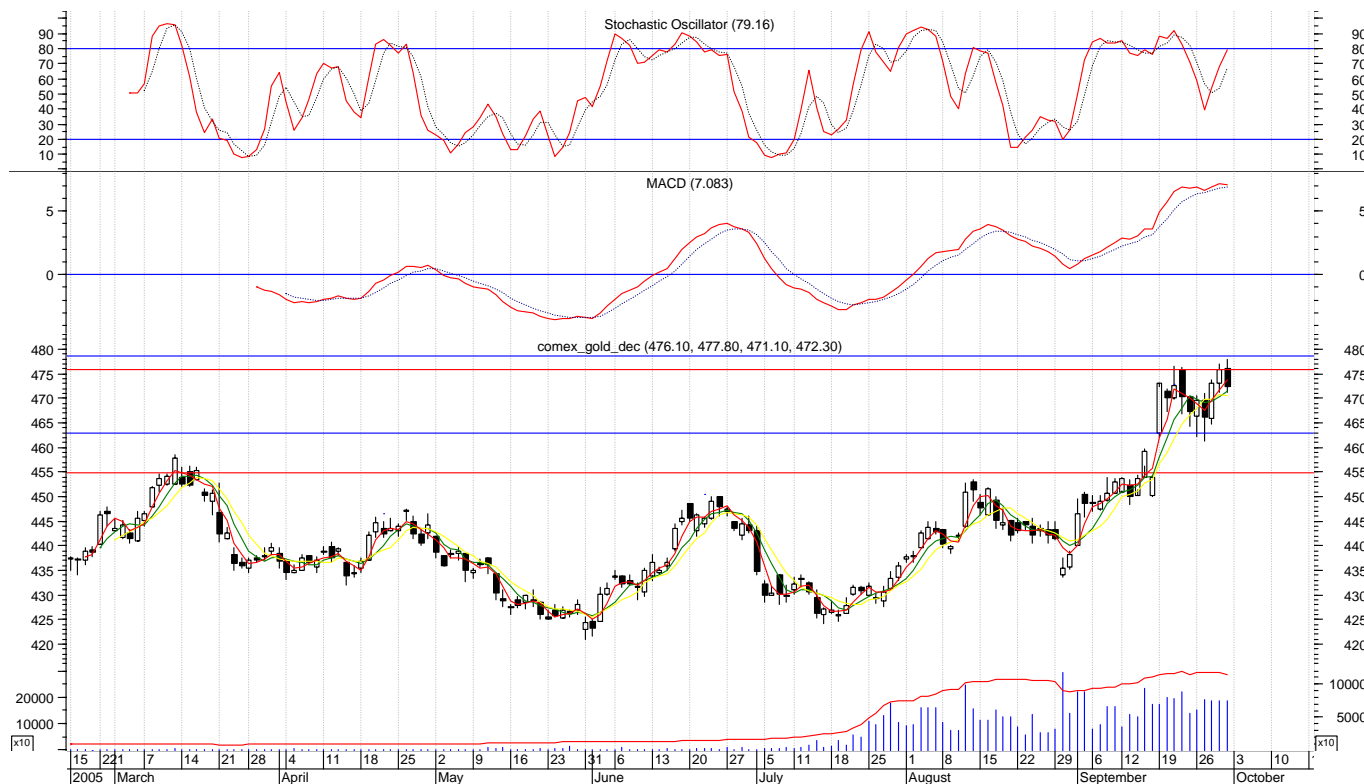
The dollar gained against its chief counterparts during the week and it seems that increased Fed interest rate factor is still playing some role in supporting the greenback. On Monday it was Yen dominating Dollar on the back of the news that Japan is on the bank of ending its 7 years of deflation and Japanese stock market surging. But this domination couldn't last long and Yen ended the week at 113.47 per dollar as compared to 112.475 per dollar on corresponding day of previous week. The greenback also gained marginally against Euro and was changing hands at \$1.2024 per Euro on the last day of week. It was strong at \$1.2011 per Euro on Monday but couldn't cross \$1.20 per Euro levels. As the U.S. interest rates are more attractive as compared to easy monetary policy of Japan and Europe's 2%, the greenback is getting support from this rate differential. However looking at the rising US deficit and inflation fears along with the extra burden of Hurricane relief it seems that the currency will not be able to maintain this strength for long. The key factor would be the resistance of Euro for \$1.20 levels.

The yellow metal's October contract on NCDEX gained Rs 46 during the week. It touched Rs 6776 levels during the week before closing at Rs6731. the contract added Rs 350 i.e. 5.5% for the month. The metal looked tired on the last trading day of the week and traded in a very small range giving some hints for the coming week. In the Mumbai spot market it was trading at Rs 6768 and got costlier by Rs 86 in a week. Gold December contract at COMEX added \$5.1 at \$472.3 during the week and \$34.2 for the month.

The white metal followed the path of gold and added Rs 248 at Mumbai spot market. October silver gained Rs 181 during the week and Rs 501 for the month at Rs 11061. However the metal traded in a narrow range during last trading day of the week and added only Rs 2.

Oil prices have been holding firmly above \$60 a barrel in recent weeks after hurricane Rita & Katrina knocked out a large amount of US refinery and production capacity. Looking at the winter season demand it is likely that supply shortage may push the energy prices further. However, at this juncture the stronger dollar on the back of interest rate differential and slightly steady crude prices (though still high) are putting pressure on the precious metals and the same may cause some weakness during early part of this week. The yellow and white precious metals are then expected to recover the initial sluggishness. The forthcoming festive season and high Q4 demand will give the additional support apart from burning energy prices and inflation fears in US.

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



The indicators are showing weakness in the prices during early part of the week. However, the yellow metal may bounce back after initial sluggishness as it is in medium to long-term bullish trend.

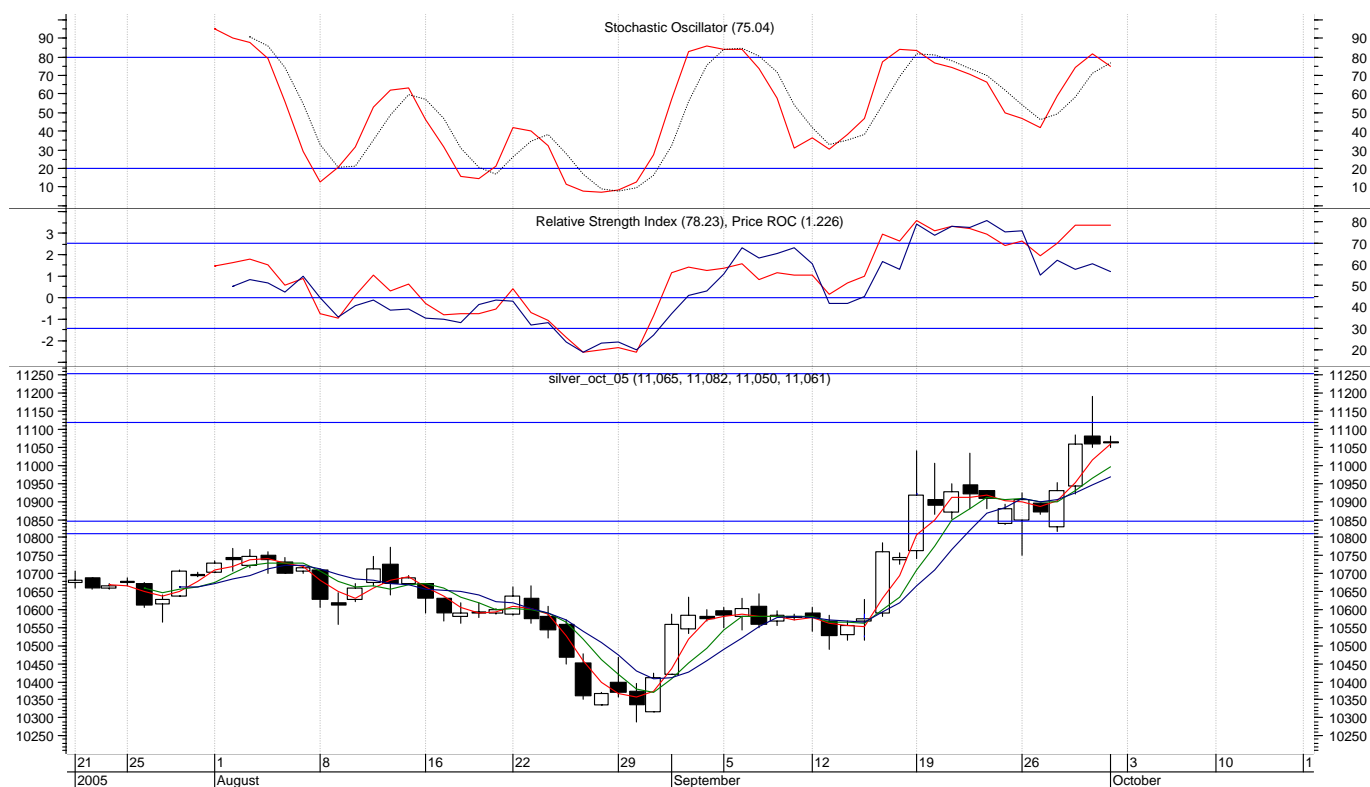
Recommendation: It will be a good buying opportunity if it comes down to Rs 6650 levels.

Support and resistance Levels:

Contract	S-1	S-2	R-1	R-2
COMEX December	462.6	454.8	476.8	478.6
NCDEX August	6653	6619	6773	6795

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 signs of weakness to continue in silver in the early part of the coming week. The recent up trend seems to be broken and the metal is expected to take some corrections before bouncing back towards the later part of the week.

Recommendation: tying opportunity

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R- 2
NCDEX October	10844	10809	11123	11256

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