

## PRECIOUS METALS (GOLD & SILVER)

November 14 - 19, 2005

### MAJOR ACTIVITY HIGHLIGHTS

- The week saw the precious metals shining at their best and touching new highs. December Gold at COMEX closed marginally down at a loss of \$0.7 on Friday but gained strongly during the week and added a healthy \$16.8 (3.57%) during this period. The metal surged on inflation concerns and ignored the strength in dollar and falling prices of crude. December gold at NCDEX was also not behind and added a healthy Rs 289 (4.17%) at Rs 7221 for the week.
- Silver took its cue from the yellow metal and saw the record high levels during the week. December silver COMEX division of New York Mercantile Exchange added 30.7 cents for the week at 806.7 cents per ounce. December silver at NCDEX climbed to Rs 12051 by adding Rs 384 (3.3%), meanwhile it touched a record levels of Rs 12178 per Kg on Friday.
- The greenback remained mixed during this week, as initially it was strong against its counterparts on record capital inflows during Q3 and then weakened towards the end on some unfavourable U.S. economic data and increased interest rates expectations in Europe. Dollar fell to 1.1773 levels on Friday as compared to 1.16865 on Monday.
- Crude oil futures closed at their lowest levels in five months on Friday. December crude closed the week at \$56.14 at a loss of 2.416% as increased supply position eased the winter heating concerns. According to Energy Department's report crude inventories fell 2.2 million barrels for the week ended November 11, however the total supplies were 321.4 million barrels, 11.9% above the -year-ago level.
- The capital inflow in to the largest economy rose to a record high of \$101.9 billion in September as private sector buyers bought large amount of U.S. securities. The consumer prices increased a bit more than expected in October, it rose to 0.2% on higher shelter and medical care prices. The rise in CPI raised the concerns over inflation.
- Producers price index (PPI) increased 0.7% in October, however core CPI fell by 0.3% during this month as compared to similar percentage rise in September.
- Jobless claims fell more than expected by 25000 during the week.
- U.S. industrial production rose 0.9% according to the market expectations.

### PRICES

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

Date	Delhi	London
Nov. 14, 2005	11838.00	782.75
Nov. 15, 2005	11838.00	777.00
Nov. 16, 2005	11874.00	778.50
Nov. 17, 2005	12155.00	809.50
Nov. 18, 2005	12229.00	811.00
Nov. 19, 2005	12181.00	.....

### Silver Futures (Rs/Kg)

Date	NCDEX Dec. Contract of Silver	NCDEX Chandi 30 kg Silver Dec. Contract
Nov. 14, 2005	11728.00	N.A.
Nov. 15, 2005	11710.00	N.A.
Nov. 16, 2005	11876.00	N.A.
Nov. 17, 2005	12065.00	N.A.
Nov. 18, 2005	12041.00	N.A.
Nov. 19, 2005	12051.00	N.A.

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

Date	Mumbai	London (am fix)	London (pm fix)
Nov. 14, 2005	7055.00	469.75	467.5
Nov. 15, 2005	7038.00	467.55	468.25
Nov. 16, 2005	7089.00	470.65	475.75
Nov. 17, 2005	7210.00	480.75	486.15
Nov. 18, 2005	7309.00	487.90	485.85
Nov. 19, 2005	7295.00	.....	.....

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

Date	COMEX DEC. Contract	NCDEX Gold Dec. Contract	NCDEX Sona 1 kg Gold DEC Contract
Nov. 14, 2005	469.10	6959.00	6950.00
Nov. 15, 2005	469.00	6960.00	6875.00
Nov. 16, 2005	479.10	7065.00	6875.00
Nov. 17, 2005	486.90	7183.00	7000.00
Nov. 18, 2005	486.20	7201.00	7000.00
Nov. 19, 2005	...	7221.00	7000.00

## SUPPLY AND DEMAND STATISTICS of GOLD (LATEST)

Particulars	2003	2004	% Change 2004vs03	Q1'04	Q2'04	Q3'04	Q1'05	Q2'05	Q3'05	% Change Q3'04 vs. Q3'05		% change ytd'05 vs ytd'04
Supply												
Mine Production	2,593	2,464	-4.9	573	605	648	596	620	668	3		1
Net Producer Hedging	-270	-428	58.3	-65	-107	-114	-22	-85	-31	...		
Total Mine Supply	2,322	2,036	-12.3	508	497	526	574	535	637	25		14
Official Sector Sales	617	478	-22.6	119	79	214	258	147	70	5		88
Old Gold Scrap	939	828	-11.9	235	206	204	216	213	213	16		-3
Total Supply	3,879	3,342	-13.8	861	783	943	1,048	895	920	21		18
Demand												
Jewellery fabrication	2,481	2,611	5.2	602	671	687	714	755	660	1		11
Industrial and dental	379	408	7.5	100	108	99	99	112	107	6		2
Net retail investment	292	343	17.5	83	86	96	119	111	80	3		24
Exchange Traded Funds And Similar	39	133	236.9	16	5	113	89	-2	38	...		548
Total identifiable demand	3,191	3,494	9.5	803	870	995	1,021	976	884	6		15
Balance	687	-152	...	59	-88	-52	-34	47	36	....		....

Figures in Tonnes

Source: WGC

## FUNDAMENTAL ANALYSIS

The week was full of economics events and the same helped the precious metals to surge to astronomical high levels. Gold and silver both shone during this week alongwith other precious metals and saw some record high levels on inflation concerns. During the early part of the week gold rose despite of strong dollar and weaker crude on the back of inflation fears. Then towards the end of the week the greenback supported the metal as Euro strengthened on increased interest rates expectations.

The week saw number of economic data mostly in favour of the precious metals. U.S. PPI rose 0.7% in October, however the core PPI fell 0.3% as compared to the same percentage rise in September. CPI also rose 0.2%, which raised concerns over inflation and metal climbed on the same. The record levels of U.S. deficits are also adding fuel to the fire of inflation fears. There was some positive news too for the economy (negative for gold) as industrial production rose 0.9% as expected but it was not enough to contain the metal. The news that some central banks are increasing their gold reserves gave some extra fuel to the yellow metal.

Dollar maintained its strong position during the earlier part of the week after the news that the capital inflow in to the largest economy's rose to the record \$101.9 billion as private sector investors bought large number of U.S. securities. But, the greenback lost some steam towards the end of the week when Euro gained some strength on increased interest rates expectations. The ECB chairman on Friday gave strong signal that the bank may lift the interest rate. The greenback traded as high as \$1.1639 per Euro on Tuesday before closing at \$1.1771 per euro on Friday.

The crude prices fell further during the week to a level never seen in past five months, on lower demand and good supply positions. December crude at NYMEX closed with a loss of \$2.416 for the week at \$56.14 per barrel. According to Energy Department's report crude inventories fell 2.2 million barrels for the week ended November 11, however the total supplies were 321.4 million barrels, 11.9% above the year ago level. Good supplies position eased winter heating concerns despite colder weather has started gripping the nation.

The week saw the precious metals shining at their best and touching new highs. The metal surged on inflation concerns and ignored the strength in dollar and falling prices of crude. December gold at NCDEX added a healthy Rs 289 (4.17%) at Rs 7221 for the week. Meanwhile, the contract touched its lifetime high levels of Rs 7241 on Friday. Silver took its cue from the yellow metal and saw the record high levels during the week. December silver at NCDEX climbed to Rs 12178 before closing at Rs 12051 at a gain of Rs 384 (3.3%).

On summation we can observe that the yellow metal concentrated mainly on the positive news and reacted sharply to them, despite strength in dollar. It seemed like the metal was waiting for some positive reason to climb on. Once it got the same in inflation fears it reacted to it sharply. However, it is interesting to notice that there was not such a panic about inflation when Katrina and Rita struck the U.S. gulf coast in September and October firing on the back of crude prices. As we all know that for the largest economy, which has the largest deficit too, inflation is a big threat. Fed is fighting with the same by increasing interest rates at so called measured pace. The fear of

inflation is not a new one and it is there for quite some time. Then why the market reacted to it so sharply this time? The rise was not surprising but steepness of its upward path makes it a little vulnerable to consolidation at least if not correction. In our opinion, the yellow metal is in long-term bullish trend and \$500 is the target for now, but it should rise steadily towards the higher goals. For this it has to consolidate these positions and then move up further. We can expect some warmth in crude prices as temperature

has started to fall. If it (crude prices) does so it would help the metal to achieve higher goals. At the same time dollar may give it another rope to climb on by slightly easing against Euro on interest rates concerns as ECB is expected to hike the same. However, one should remain cautious at these levels and go with tight stop losses, as the yellow metal alongwith the white one is vulnerable to a little intermediate correction or at least consolidation. The dips would be a good buying opportunity.

## Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



The indicators are showing bullishness in the market to continue. The prices are well above 9 and 18 day EMA that shows medium term bullishness. MACD has crossed over the signal line from below and pointing upward, so it is in favor of bulls. Stochastic indicator is in overbought zone and %K line is still above %D line. The indicator shows bullishness in the market but as the %K line is about to make a bearish crossover with %D line it shows vulnerability of gold to correction. The market is expected to remain bullish in the coming week and prices will go up with some consolidations in between.

**Recommendation:** Remain cautiously long with tight stop losses. Any notable dips in prices would be a good buying opportunity.

## Support and resistance Levels:

Contract	S-1	S-2	R-1	R-2
COMEX December	481.4	477.8	492.7	500
NCDEX December	7190	7140	7300	

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 indicators are showing mixed signals in the market. The prices are well above 9 and 18 day EMA that shows medium term bullishness. MACD is running upward above signal line, so there is no indication of reversal in the medium term trend. Stochastic indicator is in overbought zone and %K line has made bearish crossover with %D line, indicating possible trend reversal. The market seems vulnerable to short term correction, one should remain cautious and prepared for that.

**Recommendation:** One should avoid fresh long position and buy at dips. Remain cautiously long with tight stop losses. Those who are long can maintain the position with caution.

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R- 2
NCDEX December	11530	11479	11729	11806

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