

PRECIOUS METALS (GOLD & SILVER)

October31 - Nov05, 2005

MAJOR ACTIVITY HIGHLIGHTS

- December Gold delivery closed the week at its lowest level since late August. The contract lost \$16.9 (almost 3.6%) during the week and tumbled to \$457.9 an ounce at the New York Mercantile Exchange after getting a heavy blow by strong hammer of the greenback.
- December silver took its cue from the yellow metal and shed 5 cents on Friday at 757.3 cents per ounce and remarkable 24.7 cents during the week. At London spot market the white metal lost its shine and became cheaper by 21.5 cents an ounce during the week at \$7.575 an ounce.
- It was a good healthy week for the greenback during which it further improved its already heavy muscles as some strong U.S. economic data proved as a tonic for it. Europe's shared currency was asking for \$1.1810 on late Friday, down 1% from \$1.1939 late Thursday and well below (2.13%) its one week level of \$1.2068. The dollar was exchanging hands at a record 118.32 yen or up 0.8% from 117.27 Thursday and well above (2.3%) its one-week prior level of 115.65.
- Crude for December delivery closed at \$60.58 a barrel on the last trading day becoming further cheaper by \$1.2 per barrel during the day and \$0.64 per barrel during the week. It touched \$58.75 per barrel mark on Tuesday.
- U.S. nonfarm payrolls rose by 56,000 in October (which was lower than expected 102000) after an upwardly revised 8,000 loss in September. Average hourly wages surged 8 cents, or 0.5%, to \$16.27. It was the largest monthly gain since February 2003. Average hourly earnings are up 2.9% in the past year, the biggest year-over-year gain since July 2003.
- The Federal Reserve on Tuesday raised U.S. interest rates to the highest in four years and signaled it still had leeway to tighten monetary policy. The central bank's policy-setting committee raised rates for the 12th time in a row by a quarter of a percentage point, to 4.00 percent,
- U.S. workplace productivity rose by a heavy 4.1%.

PRICES

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

Date	Delhi	London
Oct. 31, 2005	11663.00	776.60
Nov. 01, 2005	11883.00	753.50
Nov. 02, 2005	...	742.00
Nov. 03, 2005	...	757.50
Nov. 04, 2005	11473.00	.....
Nov. 05, 2005	11481.00	.....

Silver Futures (Rs/Kg)

Date	NCDEX NOV.Contract of Silver	NCDEX Chandi 30 kg Silver NOV Contract
Oct. 31, 2005	11415.00	11348.00
Nov. 01, 2005	11219.00	11260.00
Nov. 02, 2005	11291.00	11260.00
Nov. 03, 2005	11360.00	11300.00
Nov. 04, 2005	11324.00	11351.00
Nov. 05, 2005	11335.00	11341.00

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

Date	Mumbai	London (am fix)	London (pm fix)
Oct. 31, 2005	7003.00	472.65	470.75
Nov. 01, 2005	6933.00	465.55	459.50
Nov. 02, 2005	.....	461.65	460.80
Nov. 03, 2005	.....	464.80	461.85
Nov. 04, 2005	6889.00	461.35	.....
Nov. 05, 2005	6851.00	.....	.....

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

Date	COMEX DEC. Contract	NCDEX Gold Nov Contract	NCDEX Sona 1 kg Gold DEC Contract
Oct. 31, 2005	466.90	6855.00	6900.00
Nov. 01, 2005	460.60	6791.00	6900.00
Nov. 02, 2005	464.60	6810.00	6840.00
Nov. 03, 2005	461.90	6806.00	6840.00
Nov. 04, 2005	457.90	6791.00	6840.00
Nov. 05, 2005	....	6800.00	6840.00

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 yellow metal tumbling to its seven weeks' lowest levels. The weaker metal, already plagued by the strong GDP growth data last week, got some strong blows this week too from strong dollar and slipping oil prices causing it to fall flat.

The greenback rose to its highest levels in more than 2 yrs above 118.31 yen per dollar on Friday. The currency was already healthy after the largest economy saw its GDP growing at a healthy 3.8% recently. Adding to this The Federal Reserve on Tuesday raised U.S. interest rates to the highest in four years to 4% and signaled it still had leeway to tighten monetary policy. Further the U.S. workplace productivity increased by 4.1% and average hourly wages surged by 0.5% to \$16.27. This was largest monthly gain since February 2003. All these developments signaled towards the healthy U.S. economy and hence caused the currency to surge against its counterparts. The greenback was trading at a gain of 2.13% against Europe's common currency at \$1.1810 per Euro as compared to its one-week prior level.

The crude prices remained steady through out the week with a slightly biased towards the lower side. December crude at NYMEX closed with a loss of \$0.64 for the week at \$60.58 per barrel. Crude-oil futures fell modestly Wednesday to touch a fresh three-month low as traders weighed conflicting reports on U.S. crude and distillate inventories. Domestic supplies of crude oil rose 2.7 million barrels to total 319.1 million for the week ended Oct. 28, marking a fourth week of increases, according to the Energy Department. But the American Petroleum Institute said supplies fell 2.4 million barrels to stand at 320.9 million barrels. The increased operating capacity of refineries to produce and replenish the nation's fuel supplies on a faster pace than what was anticipated, especially after Katrina

and Rita hit the Gulf Coast caused the prices to go down. Crude stocks are above normal by 11 million barrels, gasoline is about equal to the five-year average and distillates remain near the bottom of the average range for this time of year, refineries continue to come back online. All these factors should add price pressure on energy prices and keep a cap on any surprise rallies. Further, the lower demand is also applying its own pressure. However, everyone knows that by the end of November there will be completely different scenario weather-wise, which may cause increase in demand and give some support to the prices and these prices down here would be a history.

Under these adversities of healthier dollar and cheaper crude the gold prices saw its lowest levels in seven weeks on Friday. The greenback shot up on Friday and gave a heavy blow on the face of gold, which was already struggling through out the week. The December gold at COMEX lost \$4 on the last trading day of the week at \$457.9 and shed almost \$17 during this period. Tracing the same route, November gold at NCDEX shed Rs 110 at 6804 on Saturday. Gold immediate delivery became cheaper by Rs 152 at Rs 6851 after the same period. The white metal was also not far behind and took its cue from the tumbling gold to shed Rs 266 at Rs 11338 during this period.

The precious metals ended the week with some heavy losses thanks to the record high levels of the greenback against its major counterparts and some cheaper crude. All in all, the largest economy seems to be in a good shape, especially after series of U.S. economic data, which speaks in favor of the strength of the economy. Rise in GDP by 3.8%, improving job situation, increased productivity all tells the same story. Adding to all these, higher interest rate puts

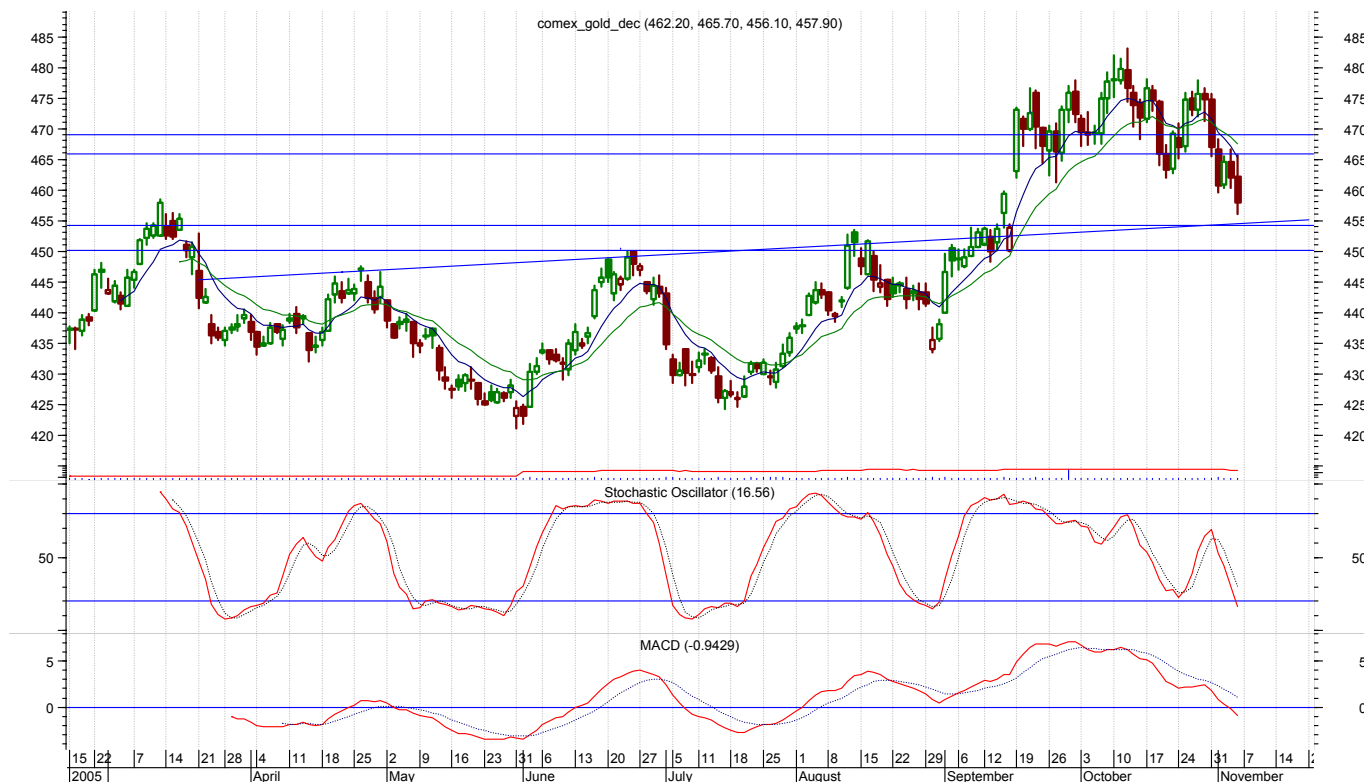
the greenback on further advantage. However, it will prove to be quite a tough task for fed to maintain the greenback at this level and Dollar seems to be vulnerable to some correction at this juncture, as market has overreacted to the recent U.S. data. Further the crude demand should also increase with the progress in winter. On summation, we can say that the yellow metal has got no helping hands from the

fundamentals to pull it back, but some buying support at these low levels would cause to recover some of its recent losses. Also it is expected to react sharply to any sort of positive change in fundamentals. The white metal has also no extra wings to fly high and is likely to follow the leader Gold.

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



The indicators are showing bearishness in the market to continue. The prices are well below 9 and 18 day EMA which shows medium term bearishness. MACD is showing bearishness, as % K line is still below % D line and heading downward, however it is entering the negative territory. Stochastic indicator is heading downward and has just entered the oversold zone but still to signal reversal. Some speculative buying at lower levels may cause this indicator to signal reversal. Though the market seems still weak some buying support at these lower levels may cause some upward correction. The market will remain subdued in the coming week, as there is no sign of strong bullishness. We expect some correction during the earlier part of the week after that market will improve on speculative buying at lower levels.

Recommendation : short positions can be taken with some risk.

Support and resistance Levels:

Contract	S-1	S-2	R-1	R-2
COMEX December	454.2	450.1	465.9	469
NCDEX August	6780	6727	6857	6887

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. The prices are well below 9 and 18 day EMA that shows medium term bearishness. MACD is showing bearishness, as % K line is still below % D line and heading downward, however it is in the negative territory. Stochastic indicator is heading upward and is in the oversold zone, signaling reversal.. Though the market seems still weak some upward correction is likely.

Recommendation: Remain Short

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX October	11289	11228	11435	11502

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