

PRECIOUS METALS (GOLD & SILVER)

November 21 - 26, 2005

MAJOR ACTIVITY HIGHLIGHTS

- The precious metals added more shine during this week. The week was shortened at NYMEX due to thanks-giving holiday. The benchmark December gold contract settled down 60 cents at \$492.30 an ounce on Wednesday, meanwhile during the session, the contract dipped to a \$487.50 session low. The contract set a fresh 18-year high of \$495.90 on Tuesday before closing the shortened week at a gain of \$6.4. December gold at NCDEX was also not behind and added a healthy Rs 190 (1.55%) at Rs 7407 for the week. The contract made new mark at Rs 7429 on the last trading day of 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 6.3 cents for the week at 813 cents per ounce. December silver at NCDEX climbed to Rs 12233 by adding Rs 181 (1.5%), meanwhile it touched a record levels of Rs 12250 per Kg on Saturday.
- The greenback remained down during the most part of the week on interest rates concerns after the minutes of Fed meeting showed the interest rate hike would end in near future. It touched three weeks low on Tuesday to 1.1823 \$ per Euro. However it recovered on Friday against Yen on flat consumer prices in Japan. Dollar also improved against Euro after disappointing German business index released on Thursday. Overall the currency ended the week at almost stable position against Euro at 1.1786\$/Euro. However it gained 0.43% against Yen at 119.61 Yen per Euro.
- Crude January contract shed 13 cents to close at \$58.71 a barrel on Wednesday, however expectations of cold weather supported it to limit the losses. According to Department of energy crude supplies rose 400,000 barrels in the week ended Nov. 18, placing the total inventory of 321.8 million well above the upper end of the average range for this time of year. However, according to the API supplies rose to 3.35 million barrels.
- Minutes from the Fed's November 1 meeting released Tuesday showed a continued focus on fighting inflation. However, there was some signal that the interest rates hike will end at some point in future and that point is near.
- The retail gold sales in Dubai increased by 26% in the third quarter of 2005 compared to the same period of 2004.
- U.S. initial Jobless claims climbed to their highest level in a month, reaching 335,000 in the week ended Nov. 19, the increase was more than expected.
- U.S. consumer sentiment index climbed to 81.6 in late November from 79.9 earlier in the month, according to University of Michigan report.

PRICES

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

Date	Delhi	London
Nov. 21, 2005	12252.00	811.00
Nov. 22, 2005	12282.00	816.50
Nov. 23, 2005	12118.00	805.00
Nov. 24, 2005	12172.00	813.50
Nov. 25, 2005	12190.00	820.00
Nov. 26, 2005	12308.00

Silver Futures (Rs/Kg)

Date	NCDEX Dec. Contract of Silver	NCDEX Chandi 30 kg Silver Dec. Contract
Nov. 21, 2005	12127.00	N.A.
Nov. 22, 2005	12233.00	N.A.
Nov. 23, 2005	12139.00	N.A.
Nov. 24, 2005	12156.00	N.A.
Nov. 25, 2005	12205.00	N.A.
Nov. 26, 2005	12233.00	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. 21, 2005	7334.00	488.00	488.95
Nov. 22, 2005	7407.00	493.00	492.60
Nov. 23, 2005	7347.00	488.85	487.60
Nov. 24, 2005	7349.00	492.75	493.40
Nov. 25, 2005	7437.00	495.70	495.90
Nov. 26, 2005	7453.00

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

Date	COMEX DEC. Contract	NCDEX Dec. Contract	Gold NCDEX 1 kg Gold DEC Contract	Sona DEC
Nov. 21, 2005	489.5	7266		7000.00
Nov. 22, 2005	492.9	7342		7000.00
Nov. 23, 2005	492.3	7305		7000.00
Nov. 24, 2005	...	7326		7000.00
Nov. 25, 2005	...	7384		7225.00
Nov. 26, 2005	...	7407		7400.00

SUPPLY AND DEMAND STATISTICS of GOLD (LATEST)

Particulars	2003	2004	% Change 2004vs03	Q1'04	Q2'Q4	Q3'04	Q1'05	Q2'05	Q3'05	% Change	
										Q3'04 vs. Q3'04	% 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

Gold and silver both continued their gaining streak this week too and touched some astronomical high levels. The metals gained on inflation concerns and some strong Japanese buying. The upward path was made easy by weaker dollar during the early part of the week. It was a shortened week at the NYMEX on account of thanks-giving holiday on Thursday and Friday.

It was somewhat calm week with not much major events on economic front. U.S. initial Jobless claims climbed to their highest level in a month, reaching 335,000 in the week ended Nov. 19, the increase was more than expected. Economist was predicting it to be around 310000. The Labor Department's four-week moving average rose to 323,250, up from the previous week's revised average of 322,000. However, consumer sentiment index climbed to 81.6 in late November from 79.9 earlier in the month. The major attraction of the week was the minutes of fed meeting on November 1, released on Wednesday. The minutes of the meeting signaled that the Federal Reserve would stop the hikes in interest rates some time in future and that time is near. After this the greenback fell sharply to its three week low levels against Euro and remained weak during most of the weekdays. It touched three weeks low on Tuesday to 1.1823 \$ per Euro This partly supported the yellow metal in riding higher. However, dollar recovered on Friday against yen on flat consumer prices in Japan in October, which indicated that Japan is not going to end the extra easy monetary policy in the near future. Further the greenback also improved against Euro after disappointing German business index, released on Thursday. Dollar was trading at 1.176\$ per Euro on late Thursday almost stable near its levels \$1.1773 per Euro last weekend.

Crude January contract at NYMEX shed 13 cents to close at \$58.71 a barrel on Wednesday on good supplies position, however expectations of cold weather supported it

to limit the losses. According to Department of energy crude supplies rose 400,000 barrels in the week ended Nov. 18, placing the total inventory of 321.8 million well above the upper end of the average range for this time of year. However, according to the API supplies rose to 3.35 million barrels. Good supplies position eased winter heating concerns despite colder weather has started gripping the nation.

Under these favourable conditions of weaker dollar, interest rates concerns and higher energy prices December gold at COMEX surged to astronomical high levels of 495.9 on Tuesday. The contract retreated slightly on the last trading day of the shortened week to \$492.30 on falling crude prices and some traders remorse at higher levels, meanwhile during the session, the contract dipped to a \$487.50 session low. It ended the week at a gain of \$6.4. December gold at NCDEX was also not behind and added a healthy Rs 190 (1.55%) at Rs 7407 for the week. The contract made new mark at Rs 7429 on the last trading day of 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 6.3 cents for the week at 813 cents per ounce. December silver at NCDEX climbed to Rs 12233 by adding Rs 181 (1.5%), meanwhile it touched a record levels of Rs 12250 per Kg on Saturday.

It is for sure that the yellow metal is eyeing on the higher goals. There is not much hindrance to its upward path except from its own high prices. Strong Japanese buying on deflation concerns is supporting the higher prices. The crude prices are still on the higher side supporting the metal. Further, the Fed has given signal to stop the hike in interest rates, which might hurt the greenback, a situation that supports the yellow metal. However, the recent rise was quite steep, which makes gold a little vulnerable to

consolidation at least if not sharp correction. In our opinion, the yellow metal is in long-term bullish trend and \$500 is at arm's distance. No doubt, this magical level is attainable but the million-dollar question is, will it stay there above that level for long? In 1987 when it touched this magical level it stayed there only for a single day before

reverting back. This time too, it seems vulnerable to correction, however we expect it to surge again after some consolidation. Taking in to account the possibility of some correction one should tread cautiously. The white metal is running high on the back of gold and it seems more vulnerable to correction than gold.

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



The indicators are showing mixed sentiments in the market. Close above 9 and 18 days EMA shows medium term bullishness. MACD is running high in positive territory above signal line, so there is no indication of reversal in the medium term trend. Stochastic indicator is running sideways in overbought zone and %K line is about to make bearish crossover with %D line, indicating possible trend reversal. Gold seems still positive but is vulnerable to short term correction, one should remain cautious and prepared for that.

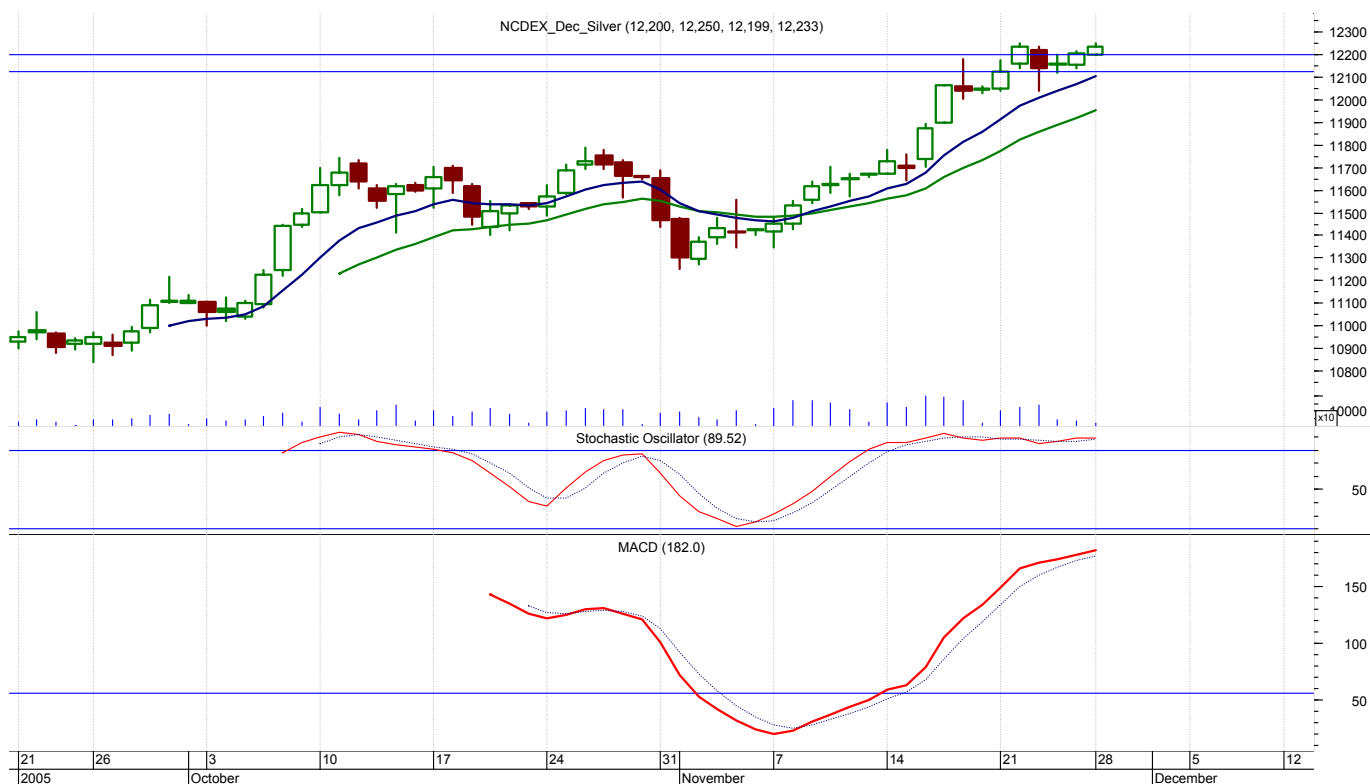
Recommendation: Remain cautiously long with tight stop losses until market shows signs of reversal.

Support and resistance Levels:

Contract	S-1	S- 2	R- 1	R - 2
COMEX December	489.5	486.7	500.0	510.0
NCDEX December	7326	7252	7484	7563

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 sentiments in the market. The prices are well above 9 and 18 day EMA that shows medium term bullishness. MACD is running high in positive territory above signal line, so there is no indication of reversal in the medium term trend. Stochastic indicator is running sideways in overbought zone and %K line is about to make bearish crossover with %D line, indicating possible trend reversal. Silver seems still positive but it is vulnerable to short term correction, one should remain cautious and prepared for that.

Recommendation: Remain cautiously long with tight stop losses until market shows signs of reversal.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX December	12201	12127	12400	12520

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