

PRECIOUS METALS (GOLD & SILVER)

October 24 - 29, 2005

MAJOR ACTIVITY HIGHLIGHTS

- Gold for December delivery closed at \$474.8 an ounce on Friday at the New York Mercantile Exchange, down 0.80 for the session. But the contract added \$5.70 during the week with the help of a healthy gain of \$7.70 on Tuesday.
 - December silver shed \$2 on Friday at \$782.0, however the contract closed the week with a gain of \$12.5 an ounce. At London spot market the white metal became costlier by \$0.19 an ounce during the week at \$7.79 an ounce.
 - The dollar weakened marginally during the week against its major counterparts. The greenback traded between \$1.1921/Euro and \$1.2172/Euro before closing at \$1.2068 per Euro on Friday. Similarly it shed marginally against yen and closed on Friday at 115.65 yen per dollar as compared to 115.89 yen per dollar on corresponding day of the previous week.
 - Crude for December delivery closed at \$61.22 a barrel on the last trading day becoming marginally costlier by \$0.13 per barrel during the day and \$0.59 per barrel during the week. It touched \$62.9 per barrel mark on Tuesday.
 - U.S. employment costs rose 0.8% in the third quarter, in line with economists' expectations and virtually unchanged from the 0.7% gain seen during the second quarter.
 - Growth in the U.S. economy picked up in the third quarter to a 3.8% annualized rate as compared to 3.6% in the past year and 3.3% rate in the second quarter. This was higher than the expected GDP growth of 3.6%.
 - The Inflation cooled down. Core consumer price index increased at a rate of 1.3% in the quarter, slowest quarterly increase since second quarter of 2003. .
- World gold council projects Indian gold demand for 2005, to increase by 33% to 850 tons, due to improved economic conditions in the country.

PRICES

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

Date	Delhi	London
Oct. 24, 2005	11553.00	761.50
Oct. 25, 2005	11657.00	772.00
Oct. 26, 2005	11790.00	783.00
Oct. 27, 2005	11756.00	781.00
Oct. 28, 2005	11737.00	779.00
Oct. 29, 2005	11672.00	---

Silver Futures (Rs/Kg)

Date	NCDEX NOV.Contract of Silver	NCDEX Chandi 30 kg Silver NOV Contract
Oct. 24, 2005	11537.00	11350.00
Oct. 25, 2005	11654.00	11350.00
Oct. 26, 2005	11685.00	11840.00
Oct. 27, 2005	11665.00	11840.00
Oct. 28, 2005	11603.00	11745.00
Oct. 29, 2005	11606.00	11413.00

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

Date	Mumbai	London (am fix)	London (pm fix)
Oct. 24, 2005	6895.00	463.75	466.10
Oct. 25, 2005	6915.00	467.00	472.25
Oct. 26, 2005	6984.00	471.55	473.20
Oct. 27, 2005	6998.00	473.25	474.40
Oct. 28, 2005	7003.00	473.65	470.75
Oct. 29, 2005	7003.00

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

Date	COMEX DEC. Contract	NCDEX Nov Contract	Gold NCDEX 1 kg Gold DEC Contract	Sona DEC
Oct. 24, 2005	467.00	6849.00	6715.00	
Oct. 25, 2005	474.70	6914.00	6850.00	
Oct. 26, 2005	473.00	6906.00	6627.00	
Oct. 27, 2005	475.60	6929.00	6850.00	
Oct. 28, 2005	474.80	6918.00	6850.00	
Oct. 29, 2005	6910.00	6900.00	

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 greenback falling on Tuesday when the nomination of Ben Bernanke as the next chairman of the Federal Reserve was seen as less supportive to the greenback as the foreign exchange markets apparently thought that he is less concerned with budget deficits. This caused dollar to drop against its major counterparts. However the currency improved later on towards the end of the week as rising Treasuries yields were seen attracting more foreign investors to dollar-denominated deposits. Further, the GDP growth data released on Friday was boosting for the greenback as the largest economy recorded handsome growth. Growth in the U.S. economy picked up in the third quarter to a 3.8% annualized rate as compared to 3.6% in the past year and 3.3% rate in the second quarter. This was higher than expected GDP growth of 3.6%. Also the Inflation cooled down. Core consumer prices increased at a 1.3% rate in the quarter, the slowest quarterly increase since the second quarter of 2003. All these factors supported the greenback during the week.

The December contract last week gained 1 percent to \$61.22 on Oct. 28. Futures have fallen 14 percent since reaching a record \$70.85 a barrel on Aug. 30, the day after Hurricane Katrina made landfall and wrecked platforms and rigs in the Gulf of Mexico. The energy prices surged on Tuesday and finished above \$62 a barrel as traders turned their attention to winter-weather forecast, which is expected to remain cooler than normal this winter.

Oil futures closed with a nearly 3% loss Wednesday at \$60.6 after the government said crude inventories rose more than expected. The Energy Department reported a 4.4 million-barrel climb in crude inventories to 316.4 million barrels for the week ended Oct. 21. That's 12% above the year-ago level. Further, The Organization of Petroleum

Exporting Countries, which pumps about a third of the world's oil, has had no takers for about 2 million barrels of extra oil a day it has offered the past month. The comfortable level of stocks and lower demand is containing the prices.

The greenback couldn't maintain its strength this week and lost marginally against Euro and Yen. However it showed improvement after the U.S. GDP growth data released on Friday. The report that the Europe going to see a interest rate hike during early part of the next year is putting pressure on the dollar. If this happens the higher interest rate advantage of the greenback will diminish and may reduce the investment in U.S.. this may in turn cause weakening in dollar. But at this point of time it is important for dollar that fed hikes interest rates to 4% in its next meeting.

Gold futures fell slightly by \$0.8 on Friday, but still ended the week with a gain of \$ 5.7 at \$474.8 an ounce. It traded between \$477.8 and \$465.2 during the week. The contract surged to \$477.8 levels on Tuesday when dollar dipped on the nomination of new chairman of Fed and crude slipped on the news of cooler than normal winter. This move was also mirrored at NCDEX and November gold added Rs 65 at Rs 6914. the metal then moved cautiously during rest of the days in small steps and closed the week with the a gain of Rs 63 at Rs 6910. The metal became costlier by Rs 101 during the week at the spot market and closed at record high levels of Rs 7003 per ounce.

Silver immediate delivery at Delhi became costlier by Rs 144 at Rs11672 per 10 gm during the week. November silver followed the movements in gold as it does most of the time and ended the week with a gain of Rs114 at Rs 11606 per 10gm. The metal looked sluggish towards the end of the week after the U.S. GDP growth data.

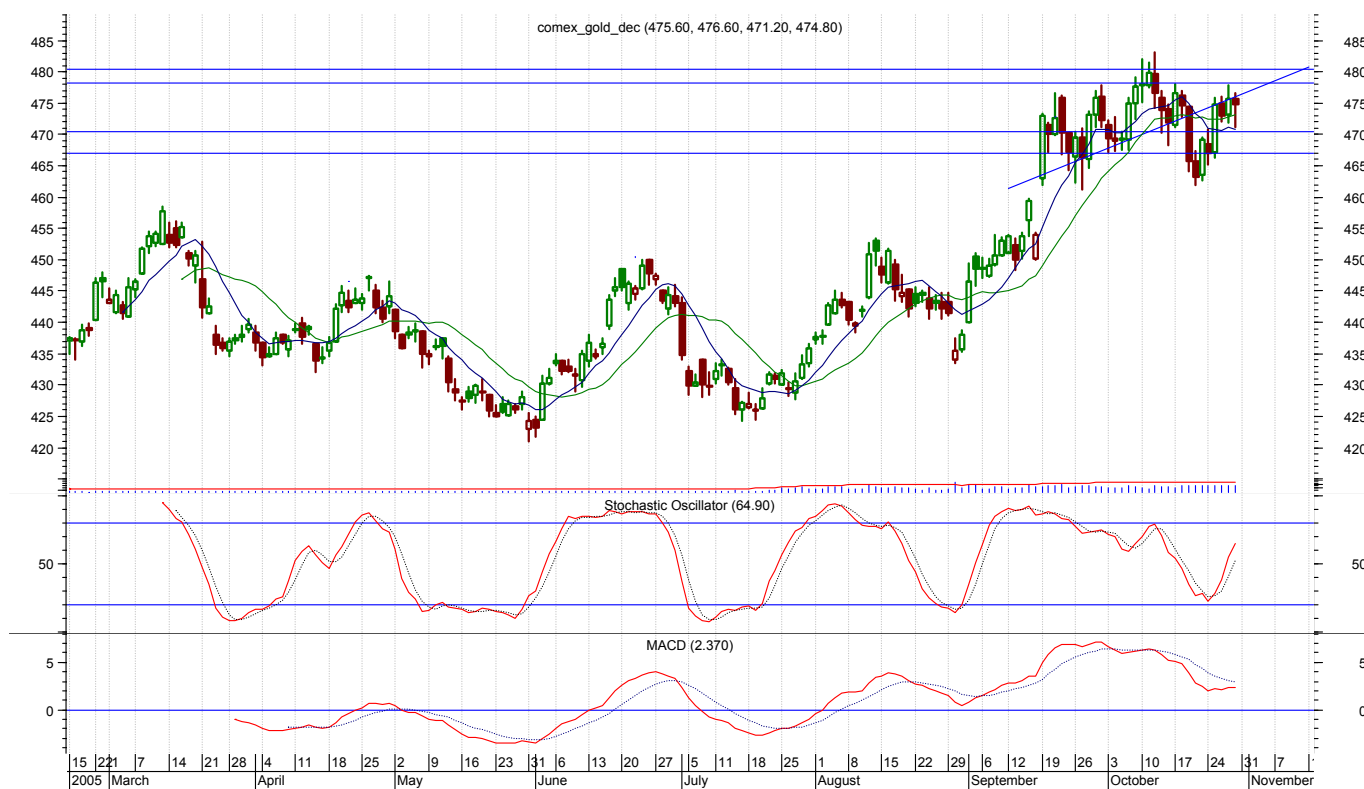
The precious metals ended the week with some gains but looked tired towards the end of the week. The U.S. economy seems in good shape according to the recent growth data but there are still some doubts left and foreign exchange markets are looking nomination of new chairman as unhealthy for the greenback. The crude prices are at the comfortable levels at this moment, thanks to good stocks position and lower demand. But we don't see any sharp decline in the crude prices, as demand would increase during winter. The gold prices are expected to be relatively quite this week. The next Fed meeting will be important for the precious metals, as it will give some direction to the

greenback. The comments after the meetings also be equally important for the future direction of the dollar and the precious metals. The demand for yellow metal in China and Middle East are expected to exceed the mine supply. High physical demand in the scenario of falling mine supply speaks loudly in favor of the high yellow metal prices in the coming time. The sentiments regarding the precious metals are mixed at the moment in the search of direction and the same will be reflected in the prices next week according to our perception.

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



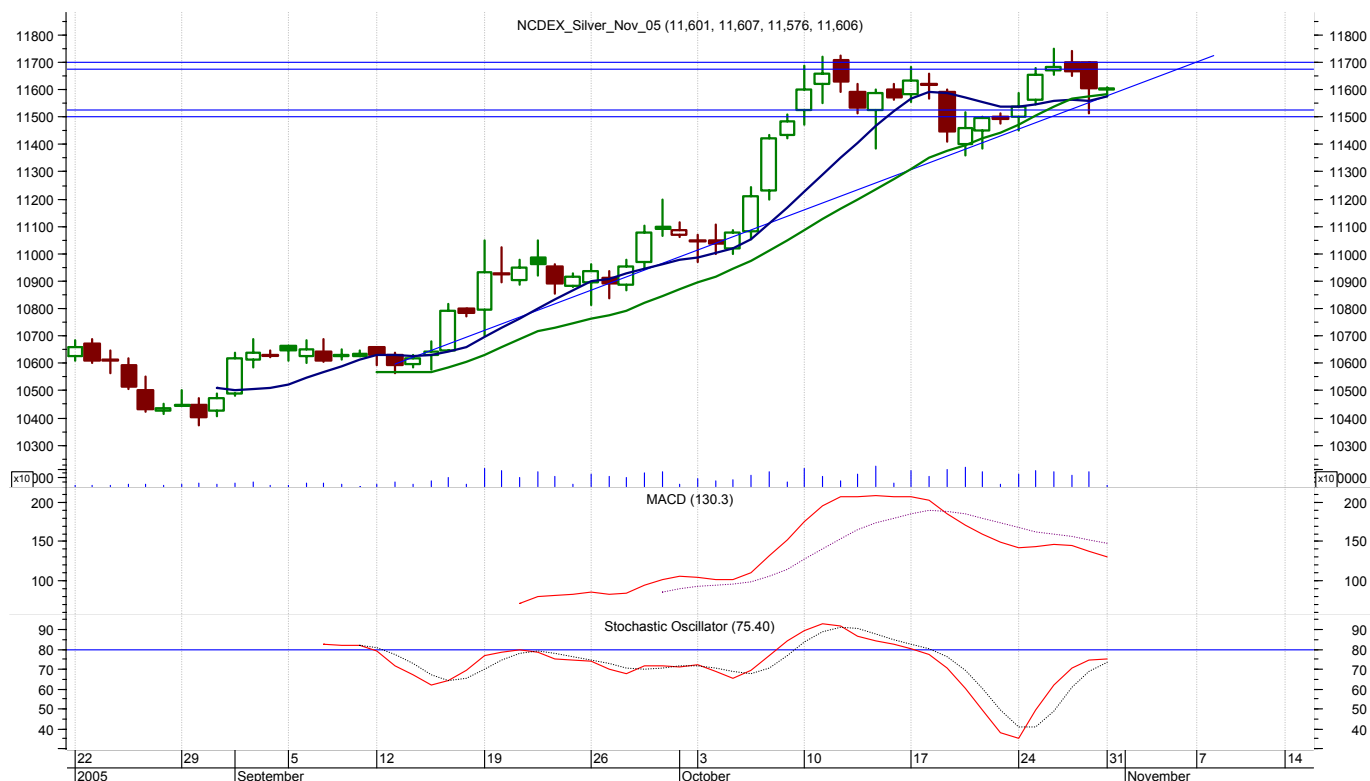
The indicators are showing mixed signals for the coming week. Stochastic indicator is in the neutral region and pointing up however it is heading toward oversold zone. Price ROC is turning up but it still needs some conformation. MACD is showing bearishness. Market is still weak as long-term moving average is below short-term moving average. 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.

Support and resistance Levels:

Contract	S-1	S- 2	R- 1	R - 2
COMEX December	470.4	467.1	478.2	480.4
NCDEX August	6886	6850	6944	6975

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



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Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX October	11499	11449	11675	11700

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