

PRECIOUS METALS (GOLD & SILVER)

November07 - 12, 2005

MAJOR ACTIVITY HIGHLIGHTS

- December Gold closed up at \$469.4 Friday adding \$1.7 for the day. The metal added a good \$11.5 during the week despite strong dollar and cheaper crude as the largest economy's trade deficit rose sharply. NCDEX December gold also added a healthy Rs 131 at Rs 6932 for the week.
- December silver took its cue from the yellow metal and added 5.5 cents on Friday at 776 cents per ounce and remarkable 18.7 cents during the week. At London spot market the white metal became costlier by 14.2 cents at 469.7 cents per ounce.
- It was a good healthy week for the greenback during which it further improved its already heavy muscles as continued riots in France hit the European common currency. Europe's shared currency was asking for as low as \$1.16745 on Thursday before closing the week with a gain of 0.68% at 1.1729. the greenback was also strong against Yen through out the week and was exchanging hands for 118.37 Yens on Tuesday. However it stabilized towards the end of the week near 118 yen per dollar marks.
- For the first time filings for the state unemployment benefits rose by 2000 on the week ended Nov. 5 to a seasonally adjusted 326000 claims.
- Crude for December delivery remained weak during this period and lost \$2.14 (3.5%) at \$57.33 per barrels on lower demand and a healthy supplies position. It traded as low as \$57.4 per barrel on Thursday.
- The deficit of the largest economy increased from \$59.3 billion in August to \$66.1 billion in September an increase by 11.4%.
- The import prices fell 0.3% in October as imported oil prices dropped 4.4%. It was the first decline in import prices in five months. It was also the first decline in petroleum prices in five months.
- The reduction in estimated demand growth by 70000 bpd to 1.2 million bpd by IEA. The IEA has also reduced its consumption growth estimate for 2006 by 0.09 million barrels to 1.66 million barrels.
- According to Energy Department's report crude inventories rose for a fifth week, with the tally of nearly 324 million barrels up nearly 13% from the previous year's level.
- Suicide bombings in Jordan, which left nearly 60 people dead.

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	11479.00	748.5
Nov. 01, 2005	11515.00	752.25
Nov. 02, 2005	11647.00	765.00
Nov. 03, 2005	11734.00	774.00
Nov. 04, 2005	11723.00	769.75
Nov. 05, 2005	11749.00	.....

Silver Futures (Rs/Kg)

Date	NCDEX Dec. Contract of Silver	NCDEX Chandi 30 kg Silver Dec. Contract
Oct. 31, 2005	11454.00	
Nov. 01, 2005	11531.00	
Nov. 02, 2005	11618.00	
Nov. 03, 2005	11624.00	
Nov. 04, 2005	11646.00	
Nov. 05, 2005	11666.00	

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	6891.00	457.6	456.5
Nov. 01, 2005	6898.00	457.15	461.6
Nov. 02, 2005	6957.00	462.6	462.55
Nov. 03, 2005	7013.00	467.00	467.00
Nov. 04, 2005	6998.00	465.9	466.75
Nov. 05, 2005	7033.00	.....	.....

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

Date	COMEX DEC. Contract	NCDEX Gold Dec. Contract	NCDEX Sona 1 kg Gold DEC Contract
Oct. 31, 2005	460.4	6833.00	6840.00
Nov. 01, 2005	462.3	6846.00	6840.00
Nov. 02, 2005	467.5	6914.00	6840.00
Nov. 03, 2005	467.7	6925.00	6810.00
Nov. 04, 2005	469.4	6930.00	6900.00
Nov. 05, 2005	....	6932.00	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 yellow metal kept on rising through out the week. The metal rose despite of strong dollar and weaker crude. This has become a frequent feature in the recent times that gold don't follow the orders of its commander- Dollar. The relation of the gold with currencies seems weakened and now the yellow metal is being affected more by inflation and uncertainty related news. The two major driving factors during this period were the huge U.S. deficits and uncertainty in France due to continued riots.

It was a good healthy week for the greenback during which it further improved its already heavy muscles as continued riots in France hit the European common currency. Even, the ballooning deficits of the largest economy couldn't made much difference on the health of the greenback. Riots spread from the suburbs of Paris. The rioting that began Oct. 27 has left one person dead. Cars have been set on fire every night since then, with a peak of 1,295 on the night of November 6. Europe's shared currency was asking for as low as \$1.16745 on Thursday before closing the week with a gain of 0.68% at 1.1729. The greenback was also strong against Yen during early part of the week and was exchanging hands for 118.37 Yens on Tuesday. However the Japanese currency stabilized towards the end of the week after stronger than expected GDP growth data. The GDP of Japan grew 1.7% against expected 1.2%.

The crude prices remained fell during the week on lower demand, good supply positions and warmer than normal winter. December crude at NYMEX closed with a loss of \$2.14 for the week at \$57.54 per barrel. The reduction in estimated demand growth by 70000 bpd to 1.2 million bpd by IEA caused prices to drop. The IEA has also its consumption growth estimate for 2006 by 0.09 million barrels to 1.66 million barrels. Also increased inventories as reported by Energy department added some bearishness in

the crude futures. According to Energy Department's report crude inventories rose for a fifth week, with the tally of nearly 324 million barrels up nearly 13% from the previous year's level. The rise in stocks can be attributed to warmer than normal winter, curb in demand due to high prices and 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.

The week saw the precious metals smiling despite strong dollar and cheaper crude. December Gold closed up at \$469.4 Friday adding \$1.7 for the day and \$11.4 (2.5%) for the week. NCDEX December gold also added a healthy Rs 131 at Rs 6932 for the week, meanwhile it touched Rs 6955 levels. December silver took its cue from the yellow metal and added 5.5 cents on Friday at 776 cents per ounce and remarkable 18.7 cents during the week. Also, at London spot market the white metal became costlier by 14.2 cents at 469.7 cents per ounce. The dollar factor seemed lost its sense as the precious metals were giving more importance to the uncertainty and inflation factors. After the largest economy's trade deficit data was released, the old story of inflation fears came on the scene and heated the market. The suicide bombing in Jordan added further fuel to the fire. It seems that the greenback is enjoying the advantage of interest differentials with its counterparts; also riots in France caused some weakness in the European common currency. Meanwhile question of inflation remains unanswered causing metal prices to go up. The fed policy of curbing the inflation by rising interest rate at so called measured pace is not the final answer to the inflation. There should be some real economic growth and they have to found some permanent solutions to reduce the ballooning deficits. Otherwise, inflation will keep worrying

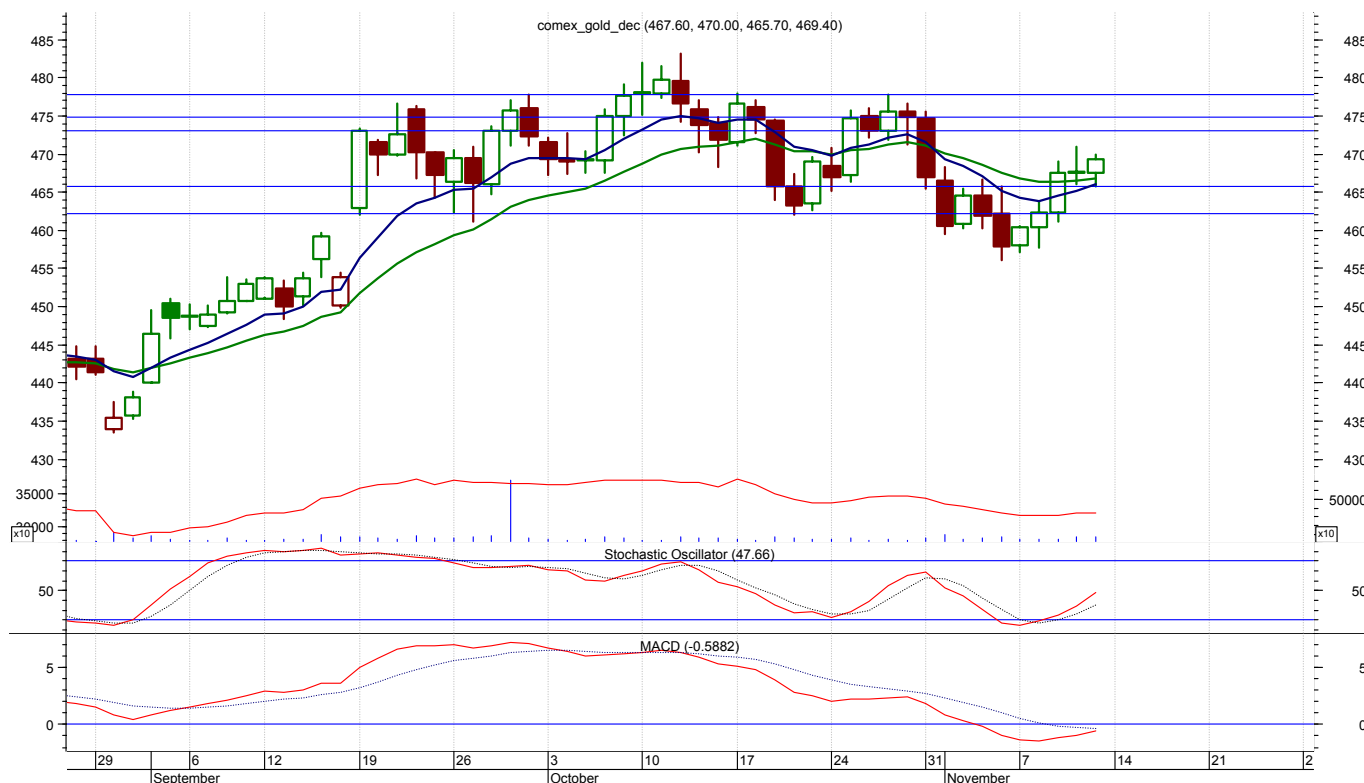
the Fed. Though crude prices are on the lower side, it might bounce back once the winter comes in its original form and consequently increases demand. These uncertainties about the economy, inflation fears and crises (like in France) makes gold bullish in medium to long term. For the short term, the gold is looking good as it made its upward path

through adverse situation of strong dollar and weaker crude. But, if the crude remains at these lower levels and dollar gains further, a very rare possibility according to us, the metal will be vulnerable. We expect it to move up with some consolidations meanwhile.

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 is about to give bullish signal. as it is just touching its signal line. Stochastic indicator is heading upward in the neutral zone with %K line above %D line. The market is expected to remain bullish in the coming week and prices will go up with some consolidations in between.

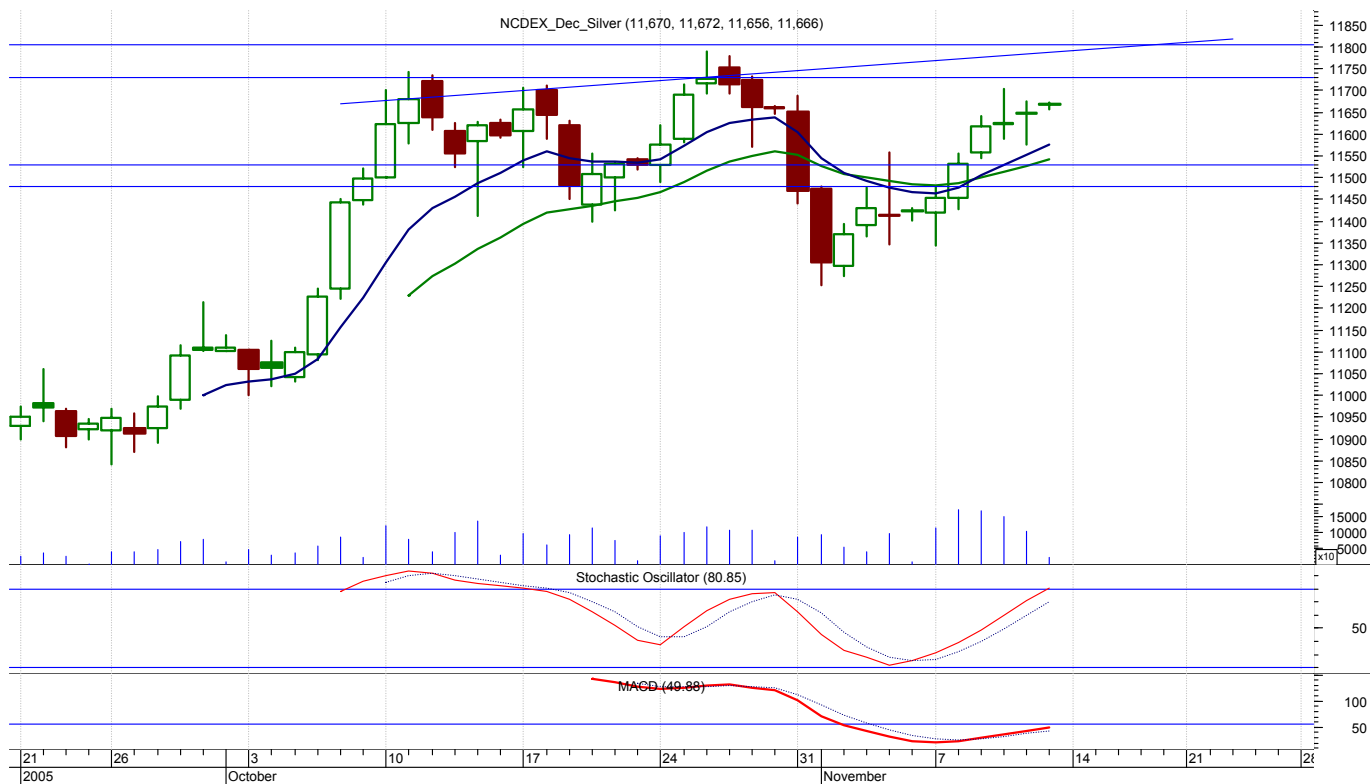
Recommendation: Remain long

Support and resistance Levels:

Contract	S-1	S- 2	R- 1	R - 2
COMEX December	465.7	462.2	473.0	475
NCDEX August	6901	6866	6993	7051

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 bullishness in the market to continue. The prices are well above 9 and 18 day EMA that shows medium term bullishness. MACD have made bullish crossover with its signal line. Stochastic indicator is heading upward in the neutral zone with %K line above %D line, however, it is heading toward the overbought zone, which makes it vulnerable to correction. The market will remain bullish in the coming week but it is vulnerable to

some correction around mid of the week before going further.

Recommendation: Remain long

Support and resistance Levels

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

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