

PRECIOUS METALS (GOLD & SILVER)

Dec19 - 24, 2005

MAJOR ACTIVITY HIGHLIGHTS

- Gold continued its weaker sentiments of last week during the earlier part of the week and then recovered smartly towards the end of the week ending the week at almost sale place where it stated. Gold February futures at NYMEX closed at \$505.2 Friday as compared to \$505.9 levels last week end, meanwhile it traded in the range of \$512.1-\$492.3 per ounce. The January contract of metal at NCDEX also ended the week with some marginal loss at Rs 7439 after trading in the range of Rs 7549-7255.
- Following its leader gold, the white metal also continued its southward journey during the earlier part of the week and then recovered the losses towards the end. Silver for January delivery closed the week with a marginal loss of Rs 26 at Rs 12439 after trading in the range of Rs 12745-12381.
- The greenback remained fluctuating in the firmer side through out the week against its major counterparts, thanks to some inflation friendly data during the week. It witnessed the low of 1.2057 on Monday and then recovered and traded as high as \$1.18 per Euro on Tuesday. The greenback gained 1.22% during the week against European common currency. Dollar also became costlier by 0.493% during the week for yen holders. It traded in the range of 117.62-115.5 Yen per dollar.
- The crude prices kept fluctuating through out the week on weather forecasts and supply data. February crude at NYMEX ended the week at a marginal loss of \$0.62 per barrel at \$58.43 per barrel. Crude supplies surged by 1.3 million barrels in the week ended Dec. 16 against analyst's expectation of fall of 1.2 million barrels.
- The University of Michigan's report showed consumer sentiment rose to 91.5 in December from November's 81.6 and a preliminary 85.5 reading from early December.
- New orders of U.S. durable goods increased 4.4% in November to \$223 billion, thanks to aircraft orders. The increase was much larger than expected 1.5% increase.
- Benchmark 30-year mortgage rates fell for a fourth week in five as it averaged 6.26%, down from 6.3% last week,
- U.S. jobless claims in the week ending Dec. 17 fell by 1300 to a seasonally adjusted 318000, according to the Labor Department report Thursday.
- U.S. consumer spending grew 0.3% in November as expected and incomes jumped below expected at 0.3% rate according to Department of Commerce.
- Third quarter U.S. growth increased at a 4.1% rate, slightly lower than previous estimates of a 4.3% growth rate, the Commerce Department said Wednesday. The downward revision was unexpected by economists, who had forecast Q3 GDP to be unchanged at a 4.3% rate.

PRICES

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

Date	Delhi	London
Dec. 19, 2005	12603.00	861.50
Dec. 20, 2005	12594.00	855.00
Dec. 21, 2005	12397.00	827.50
Dec. 22, 2005	12423.00	838.50
Dec. 23, 2005	12554.00	850.00
Dec. 24, 2005	12595.00	.....

Silver Futures (Rs/Kg)

Date	NCDEX JAN. Contract of Silver	NCDEX Chandi 30 kg Silver Jan. Contract
Dec. 19, 2005	12667.00	N.A.
Dec. 20, 2005	12383.00	...
Dec. 21, 2005	12381.00	...
Dec. 22, 2005	12567.00	...
Dec. 23, 2005	12632.00	..
Dec. 24, 2005	12647.00	...

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

Date	Mumbai	London (am fix)	London (pm fix)
Dec. 19, 2005	7520.00	507.45	508.75
Dec. 20, 2005	7497.00	505.75	502.50
Dec. 21, 2005	7358.00	494.50	489.00
Dec. 22, 2005	7353.00	494.75	500.00
Dec. 23, 2005	7462.00	503.6	..
Dec. 24, 2005	7461.00	...	.....

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

Date	COMEX Feb. Contract	NCDEX JAN. Contract	Gold NCDEX 1 kg Gold Jan Contract	Sona Jan
Dec. 19, 2005	506.1	7479.00		....
Dec. 20, 2005	497.0	7362.00		....
Dec. 21, 2005	495.3	7327.00		.....
Dec. 22, 2005	505.0	7435.00		...
Dec. 23, 2005	505.2	7437.00		....
Dec. 24, 2005	....	7439.00		...

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 yellow metal witnessed a mixed week, which ended in nothing except the changed sentiments. Gold continued its weaker sentiments of last week during the earlier part of the week and then recovered smartly towards the end of the week. It ended the week at almost same price levels where it started but sentiments wise on the higher ground. There were number of U.S. economic data released this week which made the sentiments mixed for the metal. But the hard currency looked positive towards the later half of the week on some good physical demand support at lower prices. The metal recovered despite the inflation friendly data and somewhat stronger dollar. The white metal also followed the movement in the gold and ended the week on some firm note.

The entire gamut of fundamental drivers of the gold prices was mostly negative for the most part of the week. The economic data released during the week were most inflation friendly and hence negative for the gold. The University of Michigan's report showed improved consumer sentiment as index rose to 91.5 in December from November's 81.6 and a preliminary 85.5 reading from early December. New orders of U.S. durable goods increased 4.4% in November to \$223 billion indicating good industrial activity ahead in the U.S., thanks to aircraft orders. The increase was much larger than expected 1.5% increase. U.S. jobless claims in the week ending Dec. 17 fell by 1300 to a seasonally adjusted 318000, indicating good employment position in the country. Further, U.S. consumer spending grew 0.3% in November as expected and incomes jumped below expected at 0.3% rate according to Department of Commerce. All these reports were inflation friendly. However, Third quarter U.S. growth increased at a 4.1% rate, slightly lower than previous estimates of a 4.3%

growth rate, the downward revision was unexpected by economists. This was slightly on the negative side.

The greenback, which fell sharply during recent past, traded on the stronger side during the most part of the week, thanks to inflation friendly data. The greenback remained fluctuating in the firmer side through out the week against its major counterparts, thanks to some inflation friendly data during the week. It witnessed the low of 1.2057 on Monday and then recovered and traded as high as \$1.18 per Euro on Tuesday. The greenback gained 1.22% during the week against European common currency. Dollar also became costlier by 0.493% during the week for yen holders. It traded in the range of 117.62-115.5 Yen per dollar. The currency is enjoying the large interest rate differential with Euro and Yen. The change in Fed's language regarding inflation control, signals that the end of current tightening policy is nearing. In such case the advantage of interest rate differential would vanish, especially when other central banks are planning to hike interest rates. Anti inflationary data released this week further increased the probability of the stagnation in the rate hike. Such thoughts in the currency markets will keep pressuring the greenback in times to come.

The crude prices kept fluctuating through out the week on weather forecasts and supply data. February crude at NYMEX ended the week at a marginal loss of \$0.62 per barrel at \$58.43 per barrel. Crude supplies surged by 1.3 million barrels in the week ended Dec. 16 against analyst's expectation of fall of 1.2 million barrels. Looking at the limited spare capacity and prospective production cut by OPEC in 2006, we expect the crude prices to be on the

positive side. Further, demand from the briskly growing economies like China will keep the demand buoyant. Thus put higher odds on the lower side of the crude prices.

Absorbing all the positive and negative market sentiments in the market gold prices ended the week with some loss. Gold February futures at NYMEX closed at \$505.2 Friday as compared to \$505.9 levels last week end, meanwhile it traded in the range of \$512.1- \$492.3 per ounce. The January contract of metal at NCDEX also ended the week with some marginal loss at Rs 7439 after trading in the range of Rs 7549-7255. Silver for January delivery closed the week with a marginal loss of Rs 26 at Rs 12647 after trading in the range of Rs 12745-12381. Looking at the

prospective reduction in interest rate advantage of the greenback and possible warmth in the crude prices, we expect gold to remain on positive side. Also, good physical demand and central bank buying in the New Year would support the market sentiments. The metal is in the process of recovery and every dip is being considered as a buying opportunity in the market. With good buying support at lower levels and fresh buying by funds we expect the metal to remain slightly positive for this week. But, lower volumes and some profit booking may drag down any big gains. The white metal also has no clear direction and is likely to follow the movements in gold. We expect the metal to bounce back, however one should take positions cautiously as lower volumes would make the metal volatile in the year-end.

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



MACD is running downward in the positive territory below its signal line, there is no signal for reversal in the current trend. %K line has made bullish crossover with %D line in the oversold region indicating trend reversal. Close nearly at 9 days EMA and 18 days EMA indicates the market is neutral at the moment and can move either way. Candlesticks show mild bullishness in the market sentiments. The indicators are hinting for reversal in the trend but needs some confirmation. The prices are expected to move ahead with positive bias. One should wait for the confirmation in the trend.

Recommendation: The yellow metal is looking in the process of recovery but the trend reversal is still not

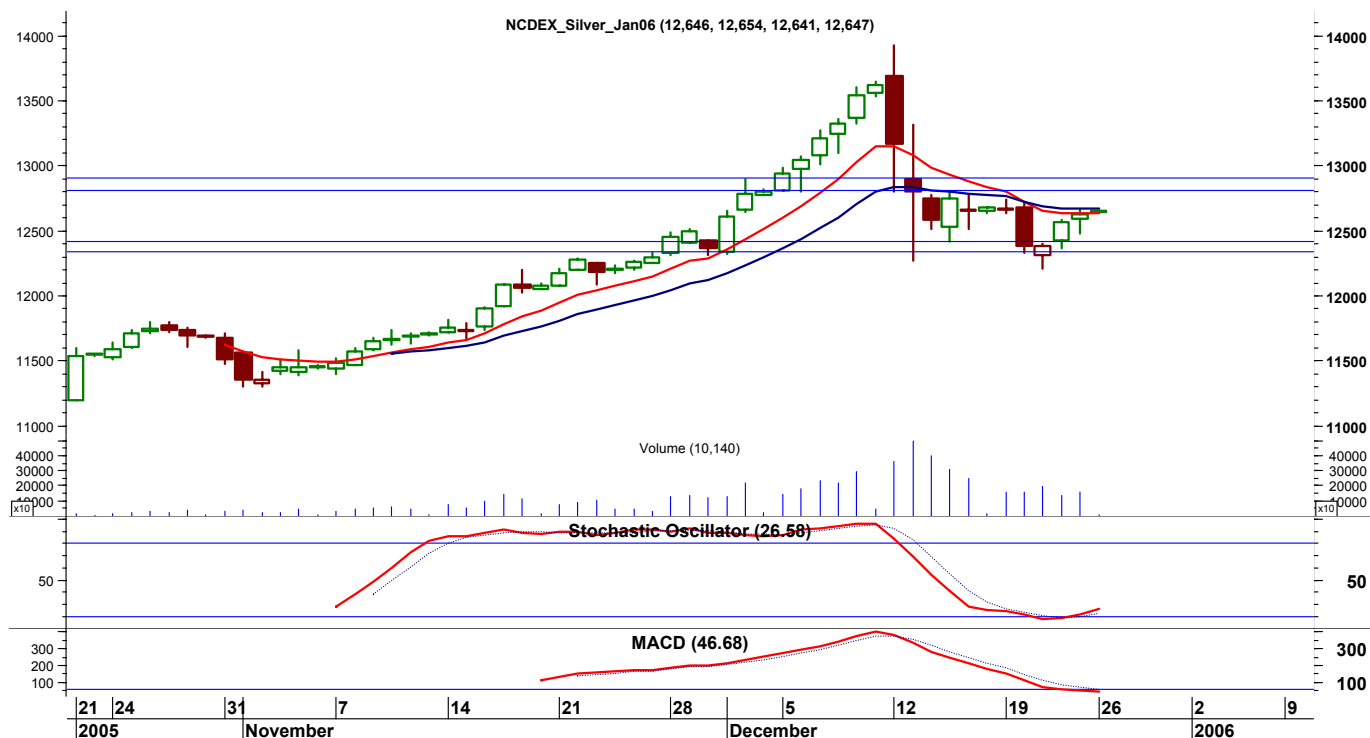
confirmed. We suggest caution on the part of bulls. Remain long with caution.

Support and resistance Levels:

Contract	S-1	S- 2	R- 1	R - 2
COMEX Feb'06	495	491	514.9	523
NCDEX January'06	7308	7208	7576	7668

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 January Contract
Periodicity: Weekly



MACD is running downward in the positive territory below its signal line and has entered the oversold zone, there is no signal for reversal in the current trend, %K line has made bullish crossover with %D line in the oversold region indicating trend reversal. Close nearly at 9 days EMA and 18 days EMA indicates the market is neutral at the moment and can move either way. Candlesticks show mild bullishness in the market sentiments. The indicators are hinting for reversal in the trend but needs some confirmation. The prices are expected to move ahead with positive bias. One should wait for the confirmation for reversal in the trend to take long position.

Recommendation: Silver is looking in the process of recovery but the trend reversal is still not confirmed. We suggest caution on the part of bulls. Remain long with caution.

Support and resistance Levels

Contract	S-1	S-2	R-1	R-2
NCDEX December	12423	12339	12811	12907

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.