

PRECIOUS METALS (GOLD & SILVER)

Nov28 - 03Dec, 2005

MAJOR ACTIVITY HIGHLIGHTS

- Gold surged to record levels during this week, despite some hurdles in the form some positive U.S. economic data. Some warmth in the crude prices on account of expected demand supply imbalance, gave the much-needed support to the metal towards the end of the week, especially at these high levels. December Gold futures climbed to an 18-year high at \$505.5 before closing the week at a gain of \$11 (2.23%) at \$503.3 per ounce Friday. Copying the same December gold at NCDEX closed at Rs 7562 adding Rs 155 (2.03%) for the week. Gold immediate delivery also added a healthy Rs 157 during the week and closed at Rs 7610 per 10 gm.
- Following its leader gold, the white metal also gauged new highs during the week.. Silver for December delivery climbed as high as \$8.575 an ounce Friday, the highest futures price since mid-2004. Similarly, December silver at NCDEX ended the week at a gain of Rs 480 (3.77%) at Rs 12713 on Saturday. The white metal at London spot market surged to the levels never seen since 1987 on Friday on strong demand.
- The greenback remained mixed during the week against its major counterparts. It was down as low as \$1.1901 per Euro on Monday and then it recovered towards the end of the week and traded as high as 1.1660 on Friday. Initially, it was weak on interest rate hike by ECB; however, a series of strong Economic data released this week gave it strength. Greenback also traded as high as 121.22 yen on Friday, its strongest position since April 2003. Overall the currency ended the week at marginal gains against Euro at 1.174851. It gained 0.827% against Yen at 120.60 Yen per Euro.
- Lower expected supply with strong expected demand gave the crude oil prices enough reason to climb high. Crude futures climbed above \$59 a barrel Friday to end the week 1% higher for the week. January crude closed at \$59.32 a barrel, up 85 cents at NYMEX after trading at \$59.55, its highest level since Nov. 9.
- The European Central Bank on Thursday revealed its first interest-rate hike in more than five years, lifting its key rate by a quarter-point to 2.25% in an effort to control inflation.
- U.S. gross domestic product grew at a revised 4.3% annual rate in the July-to-September period, the fastest pace since the first three months of 2004. Earlier it was 3.8%. In addition, the core price index moved up just 1.2%, down from the 1.3% pace originally reported.
- U.S. Personal incomes increased 0.4% in October, as expected, after a 1.7% gain in September and nominal spending increased 0.2% in October. Real spending increased 0.1% in October, the first increase in three months. Real spending had declined 0.4% in September.
- U.S. jobless claims fell 17,000 to 320,000 in the week ended Nov. 26, the fall was more than expected by economists. U.S. factory activity decelerated only slightly in November, the ISM index fell to 58.1% from 59.1% in October.

PRICES

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

Date	Delhi	London
Nov. 28, 2005	12381.00	826.75
Nov. 29, 2005	12421.00	829.00
Nov. 30, 2005	12335.00	821.00
Dec. 01, 2005	12347.00	831.50
Dec. 02, 2005	12683.00	853.50
Dec. 03, 2005	12747.00

Silver Futures (Rs/Kg)

Date	NCDEX Dec. Contract of Silver	NCDEX Chandi 30 kg Silver Dec. Contract
Nov. 28, 2005	12372.00	N.A.
Nov. 29, 2005	12381.00	N.A.
Nov. 30, 2005	12289.00	N.A.
Dec. 01, 2005	12516.00	N.A.
Dec. 02, 2005	12684.00	N.A.
Dec. 03, 2005	12713.00	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. 28, 2005	7506.00	497.30	496.00
Nov. 29, 2005	7485.00	497.10	496.00
Nov. 30, 2005	7455.00	493.80	495.65
Dec. 01, 2005	7458.00	494.40	499.75
Dec. 02, 2005	7625.00	504.75	502.50
Dec. 03, 2005	7610.00

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. 28, 2005	7432.00	498.30		7440.00
Nov. 29, 2005	7435.00	499.10		7440.00
Nov. 30, 2005	7390.00	494.60		7440.00
Dec. 01, 2005	7500.00	502.50		7445.00
Dec. 02, 2005	7557.00	503.30		7445.00
Dec. 03, 2005	7562.00		7445.00

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

Prices for precious metals have climbed to levels they hadn't seen in years during this week. Gold surged to record levels despite some hurdles in the form of strong dollar and inflation friendly data. It took some support from some warmth in the crude prices towards the end of the week to cross the psychologically important levels of \$500 and have been staying above that level for last two days. The white metal surged to the levels never seen since 1987 Friday on strong demand, especially industrial. The yellow metals not on crossed the psychologically important level of \$500 but sustained the pressure of easy inflation scenario.

The week saw some good U.S. economic data, easing the concerns regarding inflation a bit. U.S. gross domestic product grew at a revised 4.3% annual rate in the July-to-September period, the fastest pace since the first three months of 2004. Earlier it was 3.8%. In addition, the core price index moved up just 1.2%, down from the 1.3% pace originally reported. The U.S. personal incomes and spending rose modestly in October. Personal incomes increased 0.4% in October, as expected, after a 1.7% gain in September and nominal spending increased 0.2% in October. Real spending increased 0.1% in October, the first increase in three months. Real spending had declined 0.4% in September. Adding to these U.S. jobless claims fell 17,000 to 320,000 in the week ended Nov. 26. However, U.S. factory activity decelerated only slightly in November, the ISM index fell to 58.1% from 59.1% in October, the fall was less than expected.

All these economic data released this week speaks in favor of the largest economy. The same lend strength to the greenback despite increase in interest rate by ECB. The European Central Bank hiked interest rates for the first time in more than five years by a quarter point to 2.25% to control inflation. The greenback was down initially against Euro and traded as low as \$1.1901 per Euro on Monday.

Dollar then recovered towards the end of the week with the help of series of good economic data and traded as high as 1.1660 on Friday. Greenback also traded as high as 121.22 yen on Friday, its strongest position since April 2003. Overall the currency ended the week at marginal gains against Euro at 1.174851. It gained 0.827% against Yen at 120.60 Yen per Euro.

All of a sudden the scenario for the crude oil changed this week, once the temperature started falling. The prices recently were at comfortable levels near \$56 per barrel on good supplies position, warmer than average temperatures in U.S. and lower demand. With forecast of colder temperature over most of the U.S. and good economic figures, the crude prices surged to \$59 per barrel levels on higher expected consumption. Further, some indication from OPEC, to reduce oil production to defend fall in prices, especially when U.S. production is rising, sent signal that there would be lower supplies in the coming days. Lower expected supply with strong expected demand gave the prices enough reason to climb high. Crude futures climbed above \$59 a barrel Friday to end the week 1% higher for the week. January crude closed at \$59.32 a barrel, up 85 cents at NYMEX after trading at \$59.55, its highest level since Nov. 9.

So, the strength of the golden rally can be felt from the fact that the metal not only crossed the magical figure of \$500 but also maintained its position above this level despite the inflation friendly data released this week. December Gold futures climbed to an 18-year high at \$505.5 before closing the week at a gain of \$11 (2.23%) at \$503.3 per ounce Friday. Mirroring the same December gold at NCDEX closed at Rs 7562 adding Rs 155 (2.03%) for the week. Gold immediate delivery also added a healthy Rs 157 during the week and closed at Rs 7610 per 10 gm. So, the metal is still in long term upward move, Thanks to strong

physical demand from India and China, inflation concerns and high oil prices.

The white metal was also not behind and following its leader gold, it gauged new highs during the week.. Silver for December delivery climbed as high as \$8.575 an ounce Friday, the highest futures price since mid-2004. Similarly, December silver at NCDEX ended the week at a gain of Rs 480 (3.77%) at Rs 12713 on Saturday. Silver is surging high on some strong demand for the metal, especially industrial one. The yellow metal have handled well the pressure of easy inflation scenario and have also overcome the psychological barrier of \$500 during last week. There are not many hindrances to its upward path except from its own high prices. Though Strength in dollar is against the gold, but the metal has surged alongwith the rising dollar in recent times. Further the crude prices have bounced again

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (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 bullish crossover with %D line, indicating continuation of trend, however, this signal has lost some of its significance by frequent crossovers. Gold seems still positive in medium term but it is trading in oversold zone, which makes it little tentative. One should remain on positive side with great deal of caution.

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

and supply demand imbalance and lower temperature forecast is making it bullish in near term. This however, is in favor of the yellow metal. So, we are expecting the metal to remain positive this week too. But, a series of U.S. data to be released this week might again test its nerves. Factory Orders, wholesale inventories and productivity data will be important. As the metal is red hot at the higher prices it can easily turn either way, one should remain on positive side with caution.

White metal is also looking good on high demand especially when the metal is facing supply crunch. Further good economic activity may cause industrial demand for the metal to improve further. So, at the moment silver is still looking positive, however, higher levels calls for some caution.

Support and resistance Levels:

Contract	S-1	S- 2	R- 1	R - 2
COMEX December	494.4	500.00	510.0	515.00
NCDEX December	7572	7503	7696	7750

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 has made bearish crossover with %D line, indicating possible trend reversal, however, this signal has lost some of its significance by frequent crossovers. Silver seems still positive in medium term but it is trading in oversold zone,

which makes it little tentative. One should remain on positive side with great deal of caution.

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

Support and resistance Levels

Contract	S-1	S- 2	S- 3	R- 1	R- 2
NCDEX December	12684	1255	12440	12868	13050

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