

PRECIOUS METALS (GOLD & SILVER)

Dec05 - 10, 2005

MAJOR ACTIVITY HIGHLIGHTS

- Gold continued its upward journey during this week too. Gold seemed unstoppable and flying higher and higher every day. Gold December futures at NYMEX closed at \$527 after adding \$7.7 Friday. The contract added a handsome \$23.7 or 4.7% for the week. The supporting factors for seventh straight session of gains were, strong physical demand, inflation concerns and central bank buying. The January contract of metal also witnessed the astronomical highs of Rs 7998 per 10 gm at NCDEX before closing at Rs 7940 on Saturday. The contract added Rs 388 or 5.13% for the week.
- Following its leader gold, the white metal also gauged new highs during the week. Silver for December delivery climbed as high as \$9.003 an ounce Friday before closing at \$9.0 per ounce. The contract added a healthy 45.6 cents (5.33%) for the week. Similarly, January silver at NCDEX ended the week at a huge gain of Rs 814 (6.3%) at Rs 13116 on Saturday.
- The greenback remained mixed during the week against its major counterparts, it maintained strength against Yen and slipped against Euro. It was down as high as \$1.1688 per Euro on Monday and then it lost its steam towards the end of the week and traded as low as 1.1849 on Thursday. Dollar slipped 0.77% during the week and was trading at \$1.18065 per Euro on weekend. Overall the currency ended the week at almost stable against Yen and exchanging hands at 118.065 Yen Per Dollar.
- The crude prices negated the bearish supply data issued by Energy Department Wednesday and closed above \$60 per barrel mark on Wednesday. However, the crude prices remained almost stable near the previous weekend as January contract at NYMEX close at \$59.39 per barrel Friday. The Energy Department reported that crude, distillate and motor gasoline inventories all rose 2.7 million barrels for the week ended Dec. 2. Crude supplies stand at 320.3 million, the government data showed. That's 11.1% above the year-ago level.
- In the week ending Dec. 3, the Jobless claims were 327,000, an increase of 6,000 from the previous week's revised figure of 321,000, according to the Labor Department. It's the highest level of claims since the week ended Nov. 19. The increase was unexpected. New orders for manufactured goods in October increased \$8.6 billion (2.2 %) to \$399.8 billion, the U.S. Census Bureau reported Tuesday. This was at the highest level since the series was first stated on a NAICS basis in 1992 and followed a 1.4% decrease in September. Consumer credit in the largest economy fell sharply during October by a record \$7.2 billion. This accounts for about 4% seasonally adjusted annual rate drop. U.S. consumer sentiment improved in early December more than expected by economists the University of Michigan's preliminary December index of consumer sentiment rose to 88.7 from November's final reading of 81.6. The Economists were expecting it increase to 85.5.

PRICES

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

Date	Delhi	London
Dec. 05, 2005	12750.00	859.00
Dec. 06, 2005	12789.00	860.00
Dec. 07, 2005	12962.00	882.00
Dec. 08, 2005	12986.00	879.00
Dec. 09, 2005	12986.00	897.00
Dec. 10, 2005	13262.00

Silver Futures (Rs/Kg)

Date	NCDEX JAN. Contract of Silver	NCDEX Chandi 30 kg Silver Dec. Contract
Dec. 05, 2005	12945.00	N.A.
Dec. 06, 2005	13048.00	N.A.
Dec. 07, 2005	13214.00	N.A.
Dec. 08, 2005	13321.00	N.A.
Dec. 09, 2005	13547.00	N.A.
Dec. 10, 2005	13619.00	N.A.

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

Date	Mumbai	London (am fix)	London (pm fix)
Dec. 05, 2005	7677.00	505.00	505.65
Dec. 06, 2005	7693.00	508.25	504.25
Dec. 07, 2005	7760.00	512.30	515.40
Dec. 08, 2005	7817.00	514.85	515.70
Dec. 09, 2005	7936.00	524.75	525.50
Dec. 10, 2005	7972.00

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

Date	COMEX DEC. Contract	NCDEX JAN. Contract	Gold NCDEX 1 kg Gold Dec Contract
Dec. 05, 2005	508.90	7645.00	7715.00
Dec. 06, 2005	510.20	7654.00	7665.00
Dec. 07, 2005	514.30	7773.00	7665.00
Dec. 08, 2005	519.30	7814.00	...
Dec. 09, 2005	527.00	7925.00	...
Dec. 10, 2005	7940.00	...

SUPPLY AND DEMAND STATISTICS of GOLD (LATEST)

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

The precious metals continued its gaining streak during despite some inflation friendly data released this week. Gold surged to record levels with the help of some strong fundamentals and it negated some healthy U.S. data released this week. Weaker dollar and high crude prices gave some driving force to metal. However the hard currency was supported by tight supply, strong demand and speculation that some Asian central banks would increase gold holdings in their reserves. The white metal also surged to further higher levels this week on strong demand, physical as well as investment. Silver also got support from the strength in Gold. The precious metals these days are surging higher and higher, defying all negating news.

The economic data released this week were mixed. On one hand Jobless claims increased more than expected and consumer credit in the largest economy fell sharply rising question about the largest economy's health. On the other hand new orders for manufactured goods in October increased 2.2 % and U.S. consumer sentiment improved in early December more than expected easing some concerns over the health of U.S. economy.

All these economic data affected the greenback and the currency remained mixed during this week against its major counterparts. Dollar maintained strength against Yen and slipped against Euro. It was down as high as \$1.1688 per Euro on Monday and then it lost its steam towards the end of the week and traded as low as 1.1849 on Thursday. Dollar slipped 0.77% during the week and trading at \$1.18065 per Ongoing expectations that rates could head higher in Japan and the euro-zone dashed some dollar bullishness even with the U.S. Federal Reserve expected to raise its interest-rate target for a 13th time, to 4.25% this Tuesday. Overall the currency ended the week at almost stable against Yen and exchanging hands at 118.065 Yen Per Dollar. The dollar did stabilize on the back of a gain in a

measure of U.S. consumer sentiment and another report showing tight wholesale inventories relative to sales, which projects good industrial activity in the coming time. Further, poor economic data of Japan released recently negated any interest rates hike in near future, which is supportive for the greenback. Debate is ongoing as to what the Fed might say in its accompanying statement and whether its outlook will keep alive the dollar rally.

The crude prices negated the bearish supply data issued by Energy Department Wednesday and closed above \$60 per barrel mark on Wednesday. However, the crude prices remained almost stable near the previous weekend as January contract at NYMEX close at \$59.39 per barrel Friday. The Energy Department reported that crude supplies rose to 320.3 million, 11.1% above the year-ago level. As the winter is in progress we can expect some more addition to the current prices.

The strength of the golden rally can be felt from the fact that the metal closed with gains for the seventh consecutive day on Friday. Gold December contract added a handsome \$23.7 or 4.7% for the week. January contract of the metal at NCDEX also witnessed the astronomical highs of Rs 7998 per 10 gm before closing at Rs 7940 on Saturday. The contract added Rs 388 or 5.13% for the week. The supporting factors for seventh straight session of gains were, strong physical demand, inflation concerns and central bank buying. It seems that some heavy buying, probably by central banks, is supporting the rally in Gold at such high 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 \$9.003 an ounce Friday before closing at \$9.0 per ounce. The contract added a healthy 45.6 cents (5.33%) for the week. Similarly, January silver at NCDEX ended the week at a huge gain of Rs 814 (6.3%) at Rs 13116 on Saturday.

The metal is seeing strong fabrication and jewelry demand and also benefiting from investment demand and strength in other precious metals.

The result of the fed meeting this week will be important for the yellow metal as it will decide the short term fate of the greenback. Further we expect crude prices to go up slightly this week, which in turn would support the metal. The negative factor for the metal is its overbought position and

higher prices. During the week the metal will be little tentative and the pace of the current rally will be affected due to the same. One should trade cautiously at this stage. The white metal is being dragged alongwith the yellow metal and other precious metals. From here on, the metal is expected to follow gold sluggishly in upward direction and would react exaggeratedly to any correction in gold.

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. Relative Strength Index is running upward but showing overbought position, which indicates possibility of reversal in trend. Stochastic indicator is running sideways in overbought zone and %K line is about to make bearish crossover with %D line, this shows some possibility of reversal in trend, however, this signal has lost some of its significance by frequent crossovers and continuous running in overbought zone. Gold seems still positive in medium term but it is becoming riskier with every up tick as it is trading in oversold zone, which makes it vulnerable to correction. 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	R- 1	R - 2
COMEX December'05	510.00	503.00	537.00	547.00
NCDEX January'06	7800	7682	8225	...

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



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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	R- 1	R - 2
NCDEX December	13371	13224	13880	13912

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