

PRECIOUS METALS

9th January, 2006

COMMODITY: GOLD \$ SILVER

Market Commentary

Gold showed volatile movements on the last trading day at NCDEX. January gold at NCDEX opened firm on the last trading day of the week continuing Friday's upward movements and touched the day's highest levels of Rs 7847, before retreating to close at Rs 7825 at a loss of Rs 5. Some profit booking towards the end of the session on the last trading day of the week pressured the prices. Silver mirrored the movements in gold and closed at a gain of Rs 34 at Rs 13186 after trading in the range of Rs 13215-131170.

However, the yellow metal closed the week with good gains, thanks to some weaker U.S. economic data released during the period. The yellow at COMEX surged to record high levels Friday after taking a small breather a day earlier. February Gold at NYMEX closed at \$541.20 an ounce on Friday after touching an intraday high of \$541.80. This is the highest closing level since March 1981. The contract finished the week with healthy gains of \$ 23.7 (4.57%). The hard currency showed similar movements at NCDEX and January contract of the metal closed the week with a gain of Rs 185 (2.42%) at Rs 7825. The metal surged on weaker dollar and firing crude prices.

Fundamentals

The yellow metal got enough reasons this week to test the fresh highs when the crude prices surged to plus 464 per barrels levels and dollar fell against its major counterparts. The concerns regarding the end of the tightening policy by the Fed was one of the main reasons to hit the greenback down, which fired on the back of gold taking it to record closing levels. The weaker than expected job data released Friday also helped hammering the buck. Further, crude prices surged to the levels never seen since the deadly hurricane Katrina hit the U.S. gulf coast on chaos in Iraq and political uncertainty in Israel. Crude for February delivery jumped up \$1.42, (2.3%), Friday to close at \$64.21 a barrel at NYMEX after touching a high of \$64.45. Adding to these, the news that china is considering diversifying its reserves from U.S. dollars (probably to gold), send a positive signal for the hard currency. The white metal at the moment is not running on its own legs and simply riding on the back of gold.

SPOT PRICES

Gold	6.1.06	7.1.06	Change
Mumbai (Rs/10gm)	7737.00	7866.00	+129.00
London (\$/Ounce)
Silver	6.1.06	7.1.06	Change
Delhi (Rs/Kg)	13033.00	13236.00	+203.00
London (Cents/Ounce)

Futures Prices

Gold	6.1.06	7.1.06	Change
NCDEX January'06	7825.00	7832.00	+7.00
COMEX February'06
Silver	6.1.06	7.1.06	Change
NCDEX January'06	13152.00	13186.00	+306.00

FOREX RATES (22.11.05)

Country/ Continent	6.1.06	5.1.06
\$/Euro	1.2150	1.2108
Yen/\$	114.45	115.90

ECONOMIC CALENDER

Indicator	Period	Release Date	Previous	Expected
Consumer Credit	Nov	9 Jan	-\$7.2 billion	\$1billion
Wholesale Inventories	Nov	10 Jan	0.2%	0.4%
Trade Gap	Nov	12 Jan	\$68.9billion	\$66 billion

TECHNICAL ANALYSIS

GOLD: NCDEX January Contract

Perspective: Very Short Term

1. MACD is moving upward above its signal line, the medium term bullish trend is still intact.

2. %K line is moving upward below %D line in the overbought levels, no clear signal at the moment for bullish path ahead.

3. Close above 9 days EMA and 18 days EMA shows medium term outlook is bullish.

4. Candlesticks are showing slightly bullish sentiment as it has formed a bullish short day pattern.

SILVER NCDEX January Contract

Perspective: Very Short Term

1. MACD has just made bullish crossover with its signal line, however, frequent crossovers are making it less significant.

2. %K line is moving upward below %D line in the overbought levels, no clear signal at the moment for bullish path ahead.

3. Close above 9 days EMA and 18 days EMA shows medium term outlook is bullish.

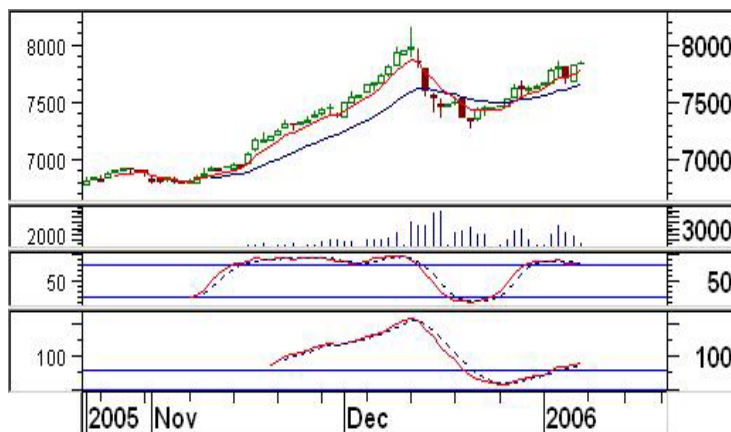
4. Candlesticks are showing slight bullish sentiment as they have formed a bullish short day pattern.

MARKET ADVICE: GOLD

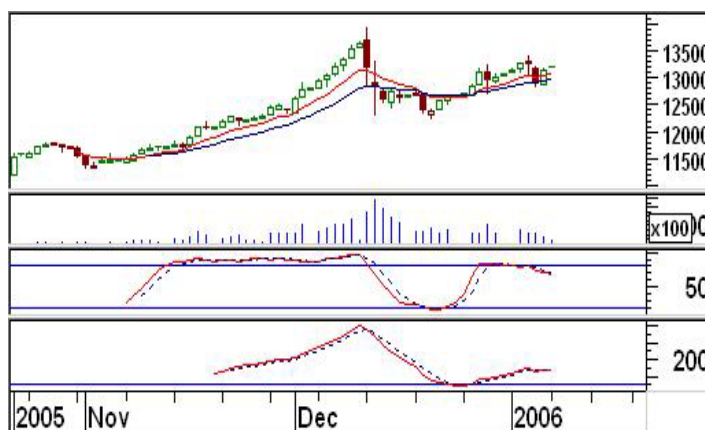
The yellow metal prices are expected to remain bullish, however, record high levels would cause some volatility and tentativeness. Buy NCDEX gold January near 7825-30 with target 7860 stop loss at 7805.

Contract	S-1	S- 2	R- 1	R - 2
NCDEX Jan'06	7778	7798	7884	7913

GOLD NCDEX JANUARY CONTRACT



SILVER NCDEX FEBRUARY CONTRACT



MARKET ADVICE: SILVER

The white metal prices are expected to remain slightly bullish, however bought levels warrants some caution on the part of silver bulls. Buy Silver January (NCDEX) near 13175-80 with target-1 of 13230 and target-2 of 13260 and stop loss at 12130

Contract	S-1	S- 2	R- 1	R - 2
NCDEX January'06	13114	13053	13265	13363

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