

PRECIOUS METALS (GOLD & SILVER)

Jan 16-21, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Gold witnessed another week of high volatility in the prices on mixed economical data and socioeconomic uncertainty and finally closed at marginal loss. Gold February futures at NYMEX closed the week with a modest loss of \$3 (0.53%) at \$554, meanwhile it traded in the huge band of \$540.5-568.5. The February contract of the metal at NCDEX mirrored the movements at COMEX and ended a volatile week at a loss of Rs 37 (0.46%) to its previous weeks levels. The contract traded in the range of Rs 7902-8160 during the period.
- Silver showed roller coaster movements during the week before closing with modest loss. Silver for February delivery at COMEX closed the week down 24 cents (2.62%) at 889.5 cents per ounce. February Silver at NCDEX closed the week at a loss of Rs 175 (1.3%) at Rs 13104. The contract traded in a large band of Rs 13445 - 12970.
- The greenback showed a range bound movements and closed the week at almost no change levels against Euro as the impact of some good economic data was offset by rising crude prices and socioeconomic uncertainty. All in all the currency remained stable at weaker levels against European common currency at the end of the week. However, the currency improved slightly during the week against Yen, thanks to poor economic growth in Japan. European common currency was trading at \$1.213 on Friday as compared to \$1.214 last week. Dollar was exchanging hands at 115.26 Yen on the last trading day of the week as compared to 114.15 Yen last week.
- The crude prices surged to astronomical high levels during the holiday-shortened week on concerns of supply shortages as a result of Iran issue and tensions in Nigeria. February crude at NYMEX ended the week at a hefty gain of \$4.43 (6.9%) at \$68.35 per barrel Friday, the contract touched \$68.8 per barrel mark on the same day.
- U.S. consumer sentiment improved in early January as shown by Consumer sentiments index. The index rose for a third straight month to 93.4 in January from December's final reading of 91.5. The number was above the expectations of Wall Street economists, who had forecast a 92.5 reading.
- The U.S. jobless claims dipped by 36,000 to a seasonally adjusted 271,000 in the week ended Jan. 14, the lowest level for initial claims since mid-April 2000. The drop in claims was unexpected. Economists had been expecting an increase in initial claims to about 317,000. December housing starts in the United States fell 8.9% to a seasonally adjusted annual rate of 1.933 million, the lowest level since March. For all of 2005, housing starts rose 5.6% to 2.065 million, the most since the record 2.356 million in 1972. Foreign Capital Inflows into the United States fell to \$89.1 billion in November against a record \$104.2 billion in October.
- U.S. consumer prices recorded an unexpected fall of 0.1% fall in December but core CPI were up an expected 0.2%. Economists had forecast consumer prices would rise 0.2 percent after November's 0.6 percent drop. On a year-over-year basis, core prices were up 2.2%, the fastest pace since March and slightly above the Federal Reserve's presumed comfort range for price increases.

PRICES

Spot Rate of Silver (Delhi Spot: Rs/Kg; London Spot: Cents/Troy Ounce) (1ounce = 31.10347 gms)

Date	Delhi	London
16 January 2006	13280	919.00
17 January 2006	13248	903.50
18 January 2006	13092	887.50
19 January 2006	13095	890.50
20 January 2006	13192	908.00
21 January 2006	13091	...

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (FEB. Contract)	COMEX -SILVER (FEB. Contract)
16 January 2006	Holiday	13351
17 January 2006	904.3	13222
18 January 2006	883.7	13016
19 January 2006	907.3	13232
20 January 2006	889.5	13054
21 January 2006	13104

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

Date	Mumbai	London (am fix)	London (pm fix)
16 January 2006	8070	559.40	561.75
17 January 2006	8094	558.05	553.25
18 January 2006	7948	554.75	545.00
19 January 2006	7978	547.70	554.75
20 January 2006	8105	559.25	567.25
21 January 2006	8038

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

Date	COMEX -GOLD (FEB. Contract)	NCDEX-GOLD (FEB. Contract)
16 January 2006	Holiday	8084
17 January 2006	554.3	8033
18 January 2006	559.0	7924
19 January 2006	554.0	8056
20 January 2006	557.2	8019
21 January 2006	8039

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
										Q3'04	Q3'05	
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

Gold prices exhibited churning action during the last week and witnessed a fresh 25 years high during the period, but fell short of steam towards the end and closed well of the highs. The major driving forces for the metal during the period were, towering crude prices, mixed economic data and socioeconomic concerns. On the other hand, silver exaggerated the negative movements in gold and followed languidly in the upward direction. This gave negative results to the silver for the week.

Gold has been maintaining its negative correlation with greenback since last two weeks and thus swinging dollar resulted in seesaw movements in the hard currency. Though the movements in dollar during the week looked little contained on mixed economical data the metal reacted more to the socioeconomic uncertainty during the period. The series of U.S. economic data released this week were mixed for the buck. As strong job data was offset by poor housing data. The U.S. jobless claims dipped by 36,000 to a seasonally adjusted 271,000 in the week ended Jan. 14. Economists had been expecting an increase in initial claims to about 317,000. Whereas December housing starts in the United States fell 8.9% to a seasonally adjusted annual rate of 1.933 million, the lowest level since March. Again, on one side, U.S. consumer prices recorded an unexpected fall of 0.1% fall in December, at the same time the other side of the coin showed that on a yoy basis, core prices were up 2.2%, the fastest pace since March and slightly above the Federal Reserve's presumed comfort range for price increases. Another depressing news for the greenback was, a sharp contraction in foreign capital inflow in to United States. However, towards the end of the week there was some consolation for the currency in the form of improved consumer sentiments. The buck kept on fluctuating throughout the period and closed the week at

almost similar levels against Euro and with some gains against the Japanese currency. The sentiments for the buck are still mixed and market is simply iterating the prospective Fed policy. In the medium term, we see some weakness in dollar due to possible contraction of the interest rate differential with the other major currencies.

The crude prices surged to astronomical high levels this week on reports of an al-Qaida threat on the U.S. and oil output concerns in Nigeria and Iran, even bearish supply data released Thursday could not pull it down. February crude at NYMEX ended the week at a hefty gain of \$4.43 (6.9%) at \$68.35 per barrel Friday, the contract touched \$68.8 per barrel mark on the same day. Al-Qaida leader Osama bin Laden allegedly warned of fresh terrorist attacks inside the U.S. The threat came in audiotape aired by Arab TV station Al-Jazeera. The news combined with ongoing violence in Nigeria, the world's eighth-biggest oil exporter, and Iran's resumption of nuclear research to provide support to oil. OPEC production in December was lower than originally expected -- falling below 30 million barrels per day for the first time since April of last year, with Iraq, Nigeria, Venezuela and Saudi Arabia all producing less in December. On the other hand crude inventories in U.S. rose 2.7 million barrels for the week ended Jan. 13 and now stand at a total of 321.4 million, 12% above the year-ago level; this factor however was negated by the prices.

Fluctuating dollar and socioeconomic uncertainties kept the hard currency dancing through out the week. The yellow metal witnessed sharp correction on the earlier part of the week, adding to this Japanese stock market turmoil laid a greasy path for the metal to slip on. But then comes the

threat of terrorist attack from Laden to underpin the metal. The upsurge in the metal was also supported by the towering crude prices on output concerns in Iran and Nigeria. Meanwhile, the some mixed economic data kept metal fluctuating in a wide range. Gold February futures at NYMEX closed the week with a modest loss of \$3 (0.53%) at \$554, meanwhile it traded in the huge band of \$540.5-568.5. The February contract of the metal at NCDEX mirrored the movements at COMEX and ended a volatile week at a marginal gain of Rs 37 (0.46%) at Rs 8038. The contract traded in the range of Rs 7902-8160 during the period. Silver also showed roller coaster movements during the week before closing with modest loss. Silver for February delivery at COMEX closed the week down 24 cents (2.62%) at 889.5 cents per ounce. February Silver at NCDEX closed the week at a loss of Rs 175 (1.3%) at Rs 13104. The contract traded in a large band of Rs 13445 - 12970.

The yellow metal is in overbought levels, which makes it little tentative for correction, but the socioeconomic

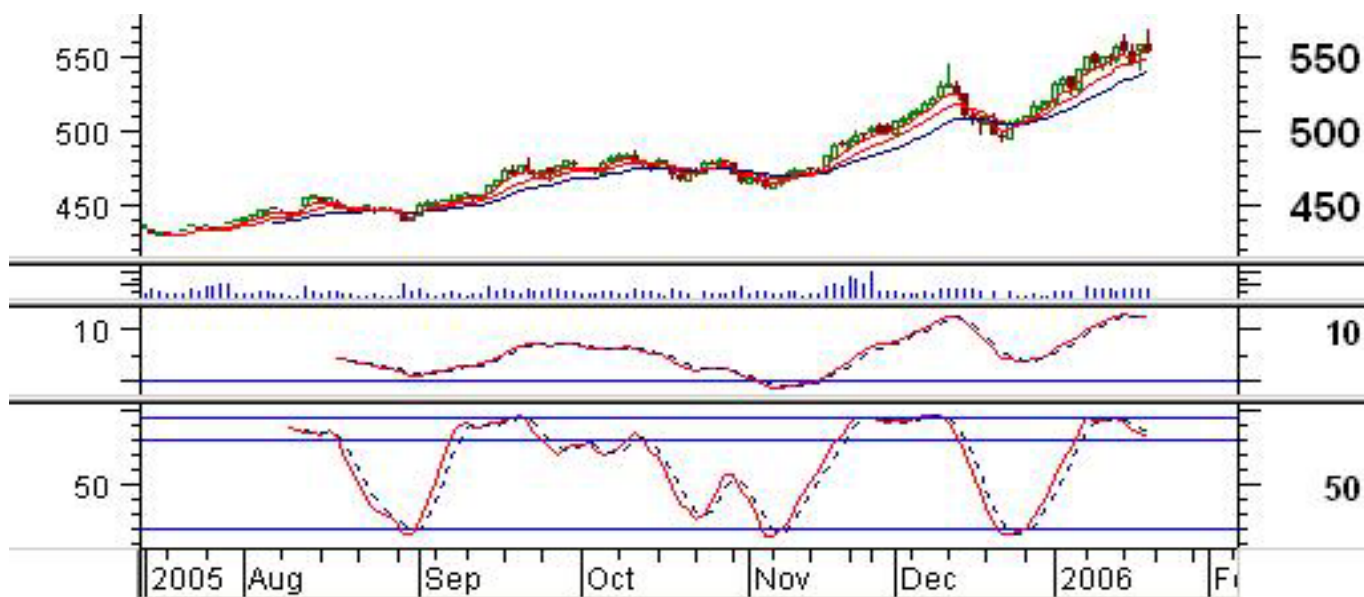
uncertainties surrounding the world are strongly supporting the metal. The open interest is still far below its record high levels, creating scope for further hike. The prices in the coming week are again expected to show bumpy ride toward higher levels with two-step forward and one step back movements. As, the crude prices are overheated and good supply conditions makes it vulnerable to correction, provided the tensions over Iran and Nigeria subsides. Further, the greenback would bounce back again as the economic data released last week were strong enough to support the buck, however, the same were ignored under the pressure of socioeconomic uncertainties.

So the road ahead will be bumpy depending upon the economic environment. So the main path will be up with intermediate corrections as buying opportunity. However, the white metal is not looking as strong as gold fundamentally. It can be dragged up by gold but the pace will be slower as seen during last week. The downside risk is larger than gold.

Commodity: GOLD

Contract: COMEX February Contract (GCG06)

Term: Short-term (Weekly)



Technical Analysis

MACD is about to make bearish crossover with the signal line, this shows the possible reversal in the trend. %K line has made bearish crossover with %D line in the overbought levels also indicates the reversal in the recent trend. Close above 9 days EMA and 18 days EMA is a positive sign. Candlesticks have formed inverted hammer pattern, indicating bearish reversal. The indicators are showing mixed sentiments in the market with bearish inclination. The prices are expected to take some correction during the earlier part of the week and recover there after. Volatility in the prices are due if overbought position extends further.

Recommendation: Caution is warranted for the bulls. Fresh positions can be taken on major dips, as there are fair chances of such opportunities. Going short will be against the major trend, however, risk lovers can take short positions near resistance levels.

Support and resistance Levels:

Contract	S-1	S-2	R-1	R-2
COMEX Feb'06	545.4	536.0	565.0	569.0
NCDEX February'06	7853	7763	8160	8286

Commodity: SILVER
 Contract: NCDEX February Contract
 Periodicity: Weekly



Technical Analysis

MACD is running downward sharply and has entered the oversold region, indicates the bearishness in the short run, oversold levels warrants some caution. %K line has made bearish crossover with %D line in the neutral region and running downward indicating bearishness to continue, frequent crossover is making it less significance. Close below 9 days EMA and 18 Days EMA shows the bearish sentiments but shorter MA is still above the longer one. Confirmation is still awaited. Candlesticks are showing indecisiveness in the sentiments.

The indicators are giving mixed signals and hence the prices are expected to remain volatile in search of direction.

Recommendation: The white metal is looking indecisive with some negative bias. It is showing some traders' remorse at higher levels. Correction in the metal seems due. Buy cautiously on dips. One can take short positions near second resistance levels.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX February'06	12942	12878	13358	13442

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