

## PRECIOUS METALS (GOLD & SILVER)

Jan 30-Feb 04, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Gold maintained its uptrend this week with small dips in-between. February futures at NYMEX closed the week with moderate gains of \$8.6 (1.53%) at \$567.4, meanwhile it traded in the band of \$557.7-575.3. The February contract of the metal at NCDEX mirrored the movements at COMEX and ended the week at a gain of Rs 85 (1.05%) at Rs 8149. The contract traded in the range of Rs 8058-8184 during the period.
- Silver looked sluggish during the week and remained range bound through out the week after climbing to the astronomical high levels on Barclays silver ETF news. Silver for March delivery at COMEX closed the week with a modest gain of 15.5 cents (1.61%) at 976 cents per ounce. February Silver at NCDEX closed the week sleepy at Rs 13539 pocketing mere Rs 26 (0.19%). The contract however witnessed the highs of Rs 13655 on Tuesday.
- The greenback bounced back strongly during the week on the back of some strong economic data projecting positive picture of the largest economy. Euro slipped against the buck during from \$ 1.20905 per Euro to \$1.20235 per Euro (0.55%), it traded in the range of \$1.19675 -1.2188. Similarly, the greenback became costlier for the Yen holders by 1.36% at 118.91 after trading in the range of 116.67-119.375 Yen per dollar.
- The crude prices started the week on a good note and March contract of crude oil at NYMEX surged to \$69 per barrel on Iran's nuclear issue and then cooled off to as low as \$63.95 on bearish supply data before closing the week at a loss of \$2.39 (2.39%) at \$6537 per barrel.
- The U.S. unemployment rate fell to a 5-year low of 4.7% in January as 193,000 jobs were added to nonfarm payrolls, economists were expecting it remain steady at 4.9%.
- U.S. consumer sentiment depressed in January, the University of Michigan's consumer sentiment index slipped to 91.2 from 91.5 in December and 93.4 in mid-January. Economists were expecting sentiment to rise to 93.1.
- Orders for U.S. made factory goods increased 1.1% in December, supported by orders for durable goods and investment in capital equipment. The rise in factory orders was above the 0.9% expected by economists.
- The productivity of the American workplace fell at an annualized rate of 0.6% in Q4, the first decline since the recession of 2001, the economists were expecting it at 1.2%.
- U.S. consumer spending increased in January, auto sales increased 2.7% to annualized pace of 17.6 million.
- Growth in the U.S. nonmanufacturing sectors slows. ISM nonmanufacturing index fell to 56.8% in January from 61.0% in December; slowest since September The decline was larger than expected. Economists forecast a drop to about 59.5%.

### PRICES

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

Date	Delhi	London
30January 2006	16566	965.50
31 January 2006	13694	991.00
01February 2006	13645	977.00
02February 2006	13693	982.00
03February 2006	13716	981.00
04February 2006	13705	...

#### Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (FEB. Contract )	COMEX -SILVER (March. Contract)
30January 2006	13563.00	977.5
31 January 2006	13608.00	988.5
01February 2006	13530.00	979.5
02February 2006	13537.00	987.7
03February 2006	13513.00	976.0
04February 2006	13539.00	...

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

Date	Mumbai	London (am fix)	London (pm fix)
30January 2006	8108	560.30	565.00
31 January 2006	8211	569.80	568.75
01February 2006	8198	567.20	568.25
02February 2006	8265	571.85	572.15
03February 2006	8273	571.85	569.00
04February 2006	8228	...	....

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

Date	COMEX -GOLD ( FEB. Contract)	NCDEX-GOLD (FEB. Contract )
30January 2006	565.8	8092.00
31 January 2006	570.8	8142.00
01February 2006	569.4	8122.00
02February 2006	572.5	8157.00
03February 2006	567.4	8138.00
04February 2006	....	8149.00

## 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
<b>Supply</b>											
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
<b>Demand</b>											
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 kept surging on a bumpy path this week. Even some good economic data and rising dollar couldn't affect it much. It reacted sluggishly in downward direction and enched every opportunity to climb higher. On the other hand, silver filled with ETF air looked very drowsy during the week and remained range bound to end the week with modest gains.

The Iran's nuclear issue kept gold mostly on positive side this week despite strong greenback. Greenback recovered smartly during the week, thanks to some good economic data standing in support. Data released this week were mostly favoring the greenback, as U.S. unemployment rate fell unexpectedly to 4.7%, U.S. Factory orders increased strongly by 1.1%, consumer spending increased. The greenback was also supported by the report of fall in productivity of U.S. work place, as it gave hint of inflation, which increased the chance of further hike in interest rate. On the other hand the reports like fall in U.S. consumer sentiment index and slowdown in nonmanufacturing sector pressure the dollar. Overall the week was good for the U.S. dollar investors. Euro slipped against the buck during from \$ 1.20905 per Euro to \$1.20235 per Euro (055%), it traded in the range of \$1.19675 -1.2188. Similarly, the greenback became costlier for the Yen holders by 1.36% at 118.91 after trading in the range of 116.67-119.375 Yen per dollar.

Iran's nuclear issue and supply position mainly drove crude oil prices this week. In the same line the crude oil prices surged during earlier part of the week on ongoing Iran' nuclear issue and then some hammering was seen towards the later half of the week on good supply position. March crude oil at NYMEX traded between \$69 per barrel and \$63.95, before closing the week at a loss of \$2.39 (2.39%) at \$6537 per barrel.

At the stage the crude prices are still at uncomfortable levels, but the uncertainty on the supply side would keep pressing the prices despite warmer weather and good supply position, as the spare capacity is very small world over. Crude prices at the moment are very sensitive to the Iran's issue and any development, positive or negative is definitely going to affect it.

The hard currency moved two-step up and one step down this week keeping main focus on the socioeconomic and political issues. February futures at NYMEX closed the week with moderate gains of \$8.6 (1.53%) at \$567.4, meanwhile it traded in the band of \$557.7-575.3. The February contract of the metal at NCDEX mirrored the movements at COMEX and ended the week at a gain of Rs 85 (1.05%) at Rs 8149. The contract traded in the range of Rs 8058-8184 during the period. Against this, the white metal reacted in both direction and ended the week with very slim gains. Silver looked sluggish during the week and remained range bound through out the week after climbing to the astronomical high levels on Barclays silver ETF news recently. Silver for March delivery at COMEX closed the week with a modest gain of 15.5 cents (1.61%) at 976 cents per ounce. February Silver at NCDEX closed the week sleepy at Rs 13539 pocketing mere Rs 26 (0.19%). The contract however witnessed the highs of Rs 13655 on Tuesday.

At the stage the factors driving gold are mixed, as the largest economy seems on track as the data released this week suggests. Further, some inflationary data again strengthens the thought that fed would rise interest rate, a negative scenario for gold. But, then the gold prices are mainly driven by sociopolitical concerns and the Iran's nuclear issue seems not coming to an end soon. Crude prices are also getting support from this issue. From hereon

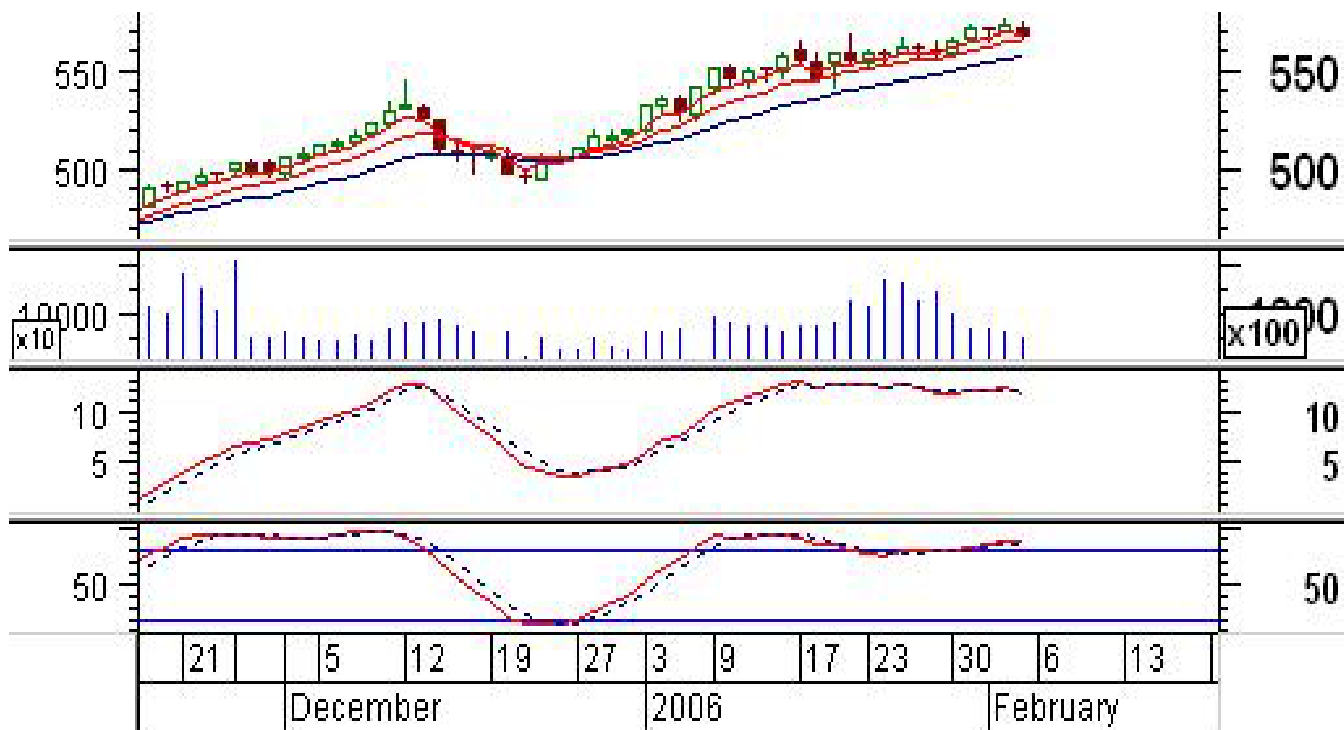
the yellow metals will be closely tracking the development over this issue. Also, the economic data will have their own impact, but the downside impact will be temporary. The

dips should be considered as buying opportunity. Where as, silver will be looking at gold for the direction, until there is any development on ETF issue.

**Commodity: GOLD**

**Contract: COMEX February Contract (GCG06)**

**Term: Short-term (Weekly)**



#### Technical Analysis

MACD has made bearish crossover with its signal line, but frequent crossover is making it less significant. The bearish divergence between MACD and gold prices hints for some correction. %K line is running upward after making bullish crossover with %D line indicating bullish trend to continue, however, overbought position of the indicator warrants some caution on part of the bulls. Close above 9 days EMA and 18 days EMA shows bullishness in the short and medium term. Candlesticks are showing indecision in the market.

Indicators are showing mixed and indecisive sentiments in the gold market. The prices are expected to move upward with intermediate dips. There is not much vigor in the

market. Volatility in the prices are due if overbought position extends further.

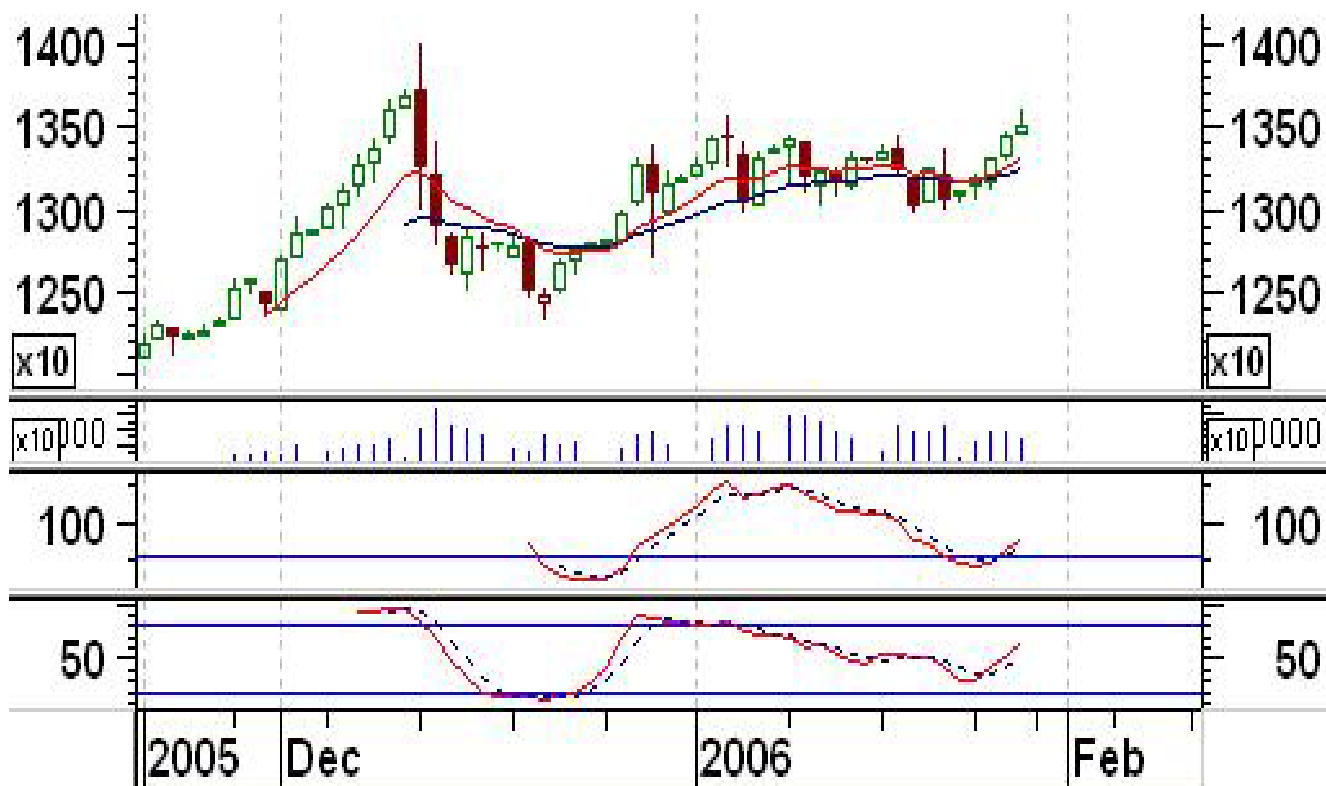
**Recommendation:** The gold prices are in a long term up trend and also at higher levels. In such a situation, one should remain long until any strong reversal signal is seen. Fresh positions should be taken only on dips, which are readily available in a bumpy path.

#### Support and resistance Levels:

Contract	S-1	S- 2	R- 1	R - 2
COMEX Feb'06	559.1	554.5	577.7	584.11
NCDEX February'06	8084	8006	8208	8254

**Commodity: SILVER**

Contract: NCDEX February Contract  
Periodicity: Weekly



#### Technical Analysis

MACD has made bearish crossover with signal line, indicating possible reversal in the trend. %K line has made bearish crossover with %D line in the overbought region, however, left hand crossover is making it less significant. Close above 9 days EMA and 18 days EMA shows bullishness in the medium term. Candlesticks are showing indecision in the market. Indicators are showing indecision with slightly bearish inclination.

**Recommendation:** The market seems quite indecisive at the stage, however the bullish trend is still intact. One should take fresh long positions only on dips. Taking short position would be against the trend and not suggested.

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX February'06	13445	13347	13624	13723

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