

## MAJOR ACTIVITY HIGHLIGHTS

- Gold futures showed very volatile movements during this week. Gold futures at NYMEX (April contract) closed down \$14.60 an ounce at \$553.5 marks Friday. Similarly, the March gold at NCDEX shed Rs 179 (2.18%) during the period after trading in the range of Rs 8225-7903.
- Silver showed volatile movements during the week and NCDEX March silver ended the week with a loss of Rs 260 (1.89%). The future traded in the range of Rs 13796-13325 during the period.
- The greenback added further strength during the week against its major counterparts. Euro slipped from \$1.20235 to \$1.1903 during this period, a fall of 1%. However, dollar slipped against Yen from 118.91 Yen to 117.84 during this week, on some strong Japanese economic data.
- The crude prices eased during this period on the back of good supply position and lower demand projection for 2006. Crude for March delivery at NYMEX dropped from \$65.37 to \$61.84 a loss of 5.7%.
- The U.S. federal surplus widened to \$21 billion in January from \$8.6 billion a year ago. The January surplus was \$3 billion less than the \$24 billion surplus expected by the Congressional Budget Office in its monthly budget outlook.
- Inventories at U.S. wholesalers increased 1% in December, led by growing stockpiles of autos and drugs, economists expected wholesale inventories to increase 0.5%. Inventories increased a revised 0.5% in November, up from 0.4% previously.
- Outstanding U.S. consumer credit rose at an annual rate of 1.9%, or \$3.3 billion, in December to \$2.16 trillion.
- 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.
- The U.S. trade deficit widened in December and swelled to a new annual record. The nation's trade gap widened by 1.5% in December to \$65.7 billion.

## PRICES

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

Date	Delhi	London
06February 2006	13763	976
07February 2006	13763	972
08February 2006	13476	927
09February 2006	13605	950
10February 2006	13620	955
11February 2006	13518	....

### Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (March. Contract)	COMEX -SILVER (March. Contract)
06February 2006	13744	975.8
07February 2006	13479	941.0
08February 2006	13456	944.0
09February 2006	13632	966.0
10February 2006	13469	938.0
11February 2006	13471	...

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

Date	Mumbai	London (am fix)	London (pm fix)
06February 2006	8261	570.00	569.75
07February 2006	8249	568.25	558.70
08February 2006	7981	548.65	548.75
09February 2006	8091	559.00	560.25
10February 2006	8094	558.75	557.00
11February 2006	8094	...	....

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

Date	COMEX -GOLD (April. Contract)	NCDEX-GOLD (March. Contract)
06February 2006	574.3	8203
07February 2006	554.8	8013
08February 2006	553.8	7999
09February 2006	568.1	8139
10February 2006	553.5	7989
11February 2006	....	8000

## 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. Q3'04	% 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

Gold showed roller coaster movements during the week and closed far below from the 25 years high attained recently. The correction in the metal was due and needed to rekindle the buying power at lower levels in the metal. The metal slipped on a greasy path created by falling crude and strong greenback. Silver also slipped along with gold and there was no support seen from the ETF issue. The steepness of the fall was however less than that of gold.

The easing crude prices and strong dollar kept hammering the yellow metal during the period. Crude prices fell during the period by about 5.7% on good supply position, warmer weather and lower demand forecast of crude during 2006. All these factors pressured the crude prices to lower \$60s per barrel. Iran's nuclear issue and corresponding risk to supply side however seemed hiding behind the curtains. As the spare capacity word over is very small, this uncertainty on the supply side will keep supporting the prices. On the other hand, some strong economic data underpinned the greenback during this period. The data released during the period showed positive picture of the largest economy. Job market looked robust as unemployment rate fell sharply to 4.7% in January, Wholesale inventories rose unexpectedly by 1% during December also inventory to sales ratio fell sharply during the period, which projects good industrial activity ahead to fulfill the demand. Trade deficit widened by 1.5% to \$65.7 billion in December, but as the export and imports increased sharply during the period, it projects positive picture of the economy. All in all the week was good for the greenback holders. The impact of rising dollar and cooling crude oil prices was weaker gold. Though the

metal tried hard to jump back during the middle of the week but recovery was not strong enough to overcome the bearish sentiments.

Gold futures showed very volatile movements during this week. Gold futures at NYMEX (April contract) closed down \$14.60 an ounce at \$553.5 marks Friday. Similarly, the March gold at NCDEX shed Rs 179 (2.18%) during the period after trading in the range of Rs 8225-7903. The gold bears seemed in power and controlling the market during the period. Silver also showed volatile movements during the week alongwith the yellow metal and NCDEX March silver ended the week with a loss of Rs 260 (1.89%). The future traded in the range of Rs 13796-13325 during the period.

At the stage the crude prices are at somewhat easy levels thanks to good supply positions and lower demand projection for 2006. But as the spare capacity is very small and any disruption to the supply side would cause serious trouble. Thus, the uncertainties surrounding the supply side are likely to support the prices at lower levels. Further, OPEC would cur production if the prices fall below \$60 per barrel level. Dollar is likely to feel some pressure as appointment of new Fed chief Bernanke might give some bearish touch to the dollar market and hence some strength to gold. We see some more correction in gold and depending on the economic data to be released data especially PPI, inventories and industrial, it may see some volatility during the period. The white metal is also weak at the moment and some more correction is likely, however, the bearish sentiments weakening and buying at lower

levels is likely to support the metal from any sharp correction. We are going to see recovery shortly.

silver will be looking at gold for the direction, until there is any development on ETF issue.

**Commodity: GOLD**

**Contract: COMEX April Contract (GCJ06)**

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



### Technical Analysis

MACD is running downward after making bearish crossover with signal line hints continuation of the current trend. %K is running downward below %K line in the neutral region, no sign of reversal is there. Close below 9 days EMA and 18 days EMA shows bearish sentiments in the market. Candlesticks are also supporting bears. Momentum indicators are turning oversold, which creates some hope for reversal.

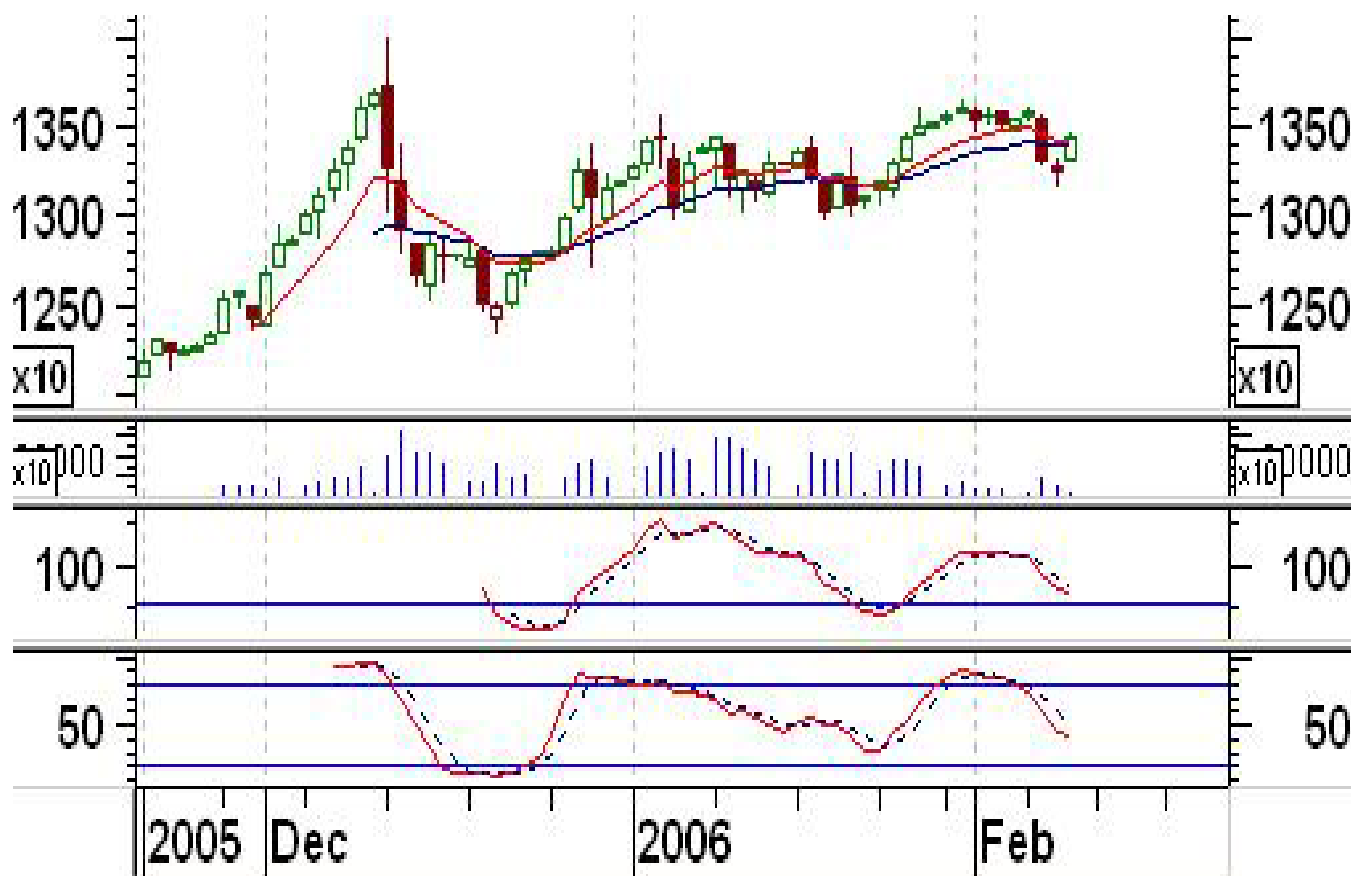
Indicators are showing mostly bearish sentiments in the market at the stage and there is no sign of reversal. Gold prices are expected to take some more correction.

**Recommendation:** One should wait for reversal in this short-term bearish trend to taking long position. However, risk lovers can take short positions to take advantage of short-term weakness in the prices.

### Support and resistance Levels:

Contract	S-1	S-2	R-1	R-2
COMEX April'06	531	525	571	578
NCDEX March'06	7783	7713	8014	8125

Commodity: SILVER  
Contract: NCDEX March Contract  
Periodicity: Weekly



### Technical Analysis

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Indicators are showing mostly bearish sentiments in the market at the stage and there is no sign of reversal at the stage. Silver prices are expected to take some more

correction. However, reversal is nearing as the metal is approaching oversold zone.

**Recommendation:** One should wait for reversal in this short-term bearish trend to taking long position. However, risk lovers can take short positions to take advantage of short-term weakness in the prices.

### Support and resistance Levels

Contract	S-1	S-2	R-1	R-2
NCDEX February'06	13211	13127	13415	13517

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