

PRECIOUS METALS (GOLD & SILVER)

Feb 20-25, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Gold futures surged more than \$10 an ounce to close at a two-week high, underpinned by explosion at an oil refinery in Saudi Arabia and weak U.S. economic data Friday. April Gold climbed as high as \$562 an ounce on the COMEX, its highest level since Feb. 10. The contract added \$10.30, or 1.9%, at \$561.20 on the last trading day of the week. It closed out last Friday's session at \$554.60, up \$6.60 (1.19%) for the week. March gold at NCDEX added Rs 74 (0.92%) for the week at Rs 8084 per 10gm, after trading in the range of 7988-8088.
- Silver recovered most of the initial losses on Friday at both domestic markets. March silver at NYMEX contract added a good 31.3 cents (3.32%) for the week after trading in the range of 975-940 cents per ounce. March silver at NCDEX also climbed Saturday to the highs of 13598 before closing the week at a gain of Rs 138 (1.02%) at Rs 13583 after trading in the range of Rs 13440-13598.
- The greenback remained firm in the initially and then slipped sharply towards the end of the week. Yen recovered smartly against dollar towards the end of the week on hike in interest rate expectations and dollar slipped 0.98% against it at 116.88 Yen per \$. The currency traded in the range of 116.405-118.985 Yen/\$ during the period. Euro gained 05% during the week at 1.18755 after trading in the range of \$1.1973-1.1861/Euro.
- Triggered by supply concerns in Saudi Arabia, crude-oil futures climbed over \$2 a barrel, marking a gain of almost 3% for the week, recovering all the losses during the week on good stock position. The April contract, which had already been trading higher before the Saudi news, closed at \$62.91, up \$2.37, or 3.9%, for the session. It was up \$1.62 from the week-ago close of \$61.29.
- Leading indicators, a gauge of future U.S. economic activity rose for the fourth straight monthly gain. This is the largest series of increases since 2004. The index rose 1.1% in January after rising 0.3% in December. The increase in January was larger than expected 0.6% rise.
- U.S. jobless claims dropped by 20,000 to 278,000 last week, reversing the prior week's gains. The data came stronger-than-expected as Economists had been expecting new claims to be steady at about 296,000.
- New orders for U.S.-made durable goods plunged 10.2% in January as aircraft orders dried up after three months of strength. The decline was the largest since July 2000 and far exceeded the 2.5% drop expected by economists.
- U.S. consumer prices increased more than expected 0.7% in January, led by higher energy, food and housing costs. The core consumer price index, which excludes food and energy prices, increased 0.2% last month, as expected.

PRICES

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

Date	Delhi	London
20February 2006	13646	954.00
21February 2006	13636	599.00
22February 2006	13682	953.00
23February 2006	13730	957.25
24February 2006	13706	954.00
25February 2006	13826

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

Date	Mumbai	London (am fix)	London (pm fix)
20February 2006	8069	556.00	554.50
21February 2006	8043	553.40	554.00
22February 2006	8054	551.75	553.00
23February 2006	8059	552.50	551.20
24February 2006	8029	550.75	554.15
25February 2006	8110

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (March. Contract)	COMEX -SILVER (March. Contract)
20February 2006	13507	
21February 2006	13481	
22February 2006	13537	
23February 2006	13482	
24February 2006	13542	
25February 2006	13583	

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

Date	COMEX -GOLD (April. Contract)	NCDEX-GOLD (March. Contract)
20February 2006	Closed	8046
21February 2006	556.6	8031
22February 2006	556.6	8049
23February 2006	550.9	7999
24February 2006	561.2	8082
25February 2006	8084

DEMAND STATISTICS of GOLD (LATEST)

Particulars	2004	2005	% Change 2005vs04	Q4'04	Q1'05	Q2'05	Q3'05	Q4'05	% Change Q4'05 vs. Q4'04
Demand (Tonnes)									
Jewellery fabrication	2618.1	2736.2	5	799.5	693.4	740.1	619.5	683.2	-15
Industrial and dental	409.8	418.5	2	99.3	98.2	111.5	105.5	103.3	4
Net retail investment	343.4	396.2	15	96.0	124.3	109.5	84.8	77.6	-19
Exchange Traded Funds And Similar	132.6	203.4	53	113.4	88.5	-1.6	37.5	79.0	-30
Total identifiable demand	3504	3754.3	7	1108.2	1004.5	959.5	847.3	943.0	-15
Demand (\$ m)									
Jewellery fabrication	34441	39099	14	11151	9527	10170	8758	10636	-5
Industrial and dental	5391	5980	11	1386	1349	1533	1491	1607	16
Net retail investment	4518	5661	25	1339	1709	1504	1199	1208	-10
Exchange Traded Funds And Similar	1745	2907	67	1582	1217	-22	531	1229	-22
Total identifiable demand	46095	53647	16	15457	13802	13185	11978	14680	-5

Source: WGC

FUNDAMENTAL ANALYSIS

Gold recovered the initial losses of the week towards the end on geopolitical uncertainty and poor economic data. The metal showed sluggish positive movements in the earlier part of the week then slipped sharply on Thursday before finally recovering smartly on Friday. The white metal remained volatile through out the week and surge towards the end put it in the positive column for the week. As there were no fresh inputs for the metal on ETF front, it followed the yellow metal sluggishly.

The crude oil market started the week firm and then easing crude prices were seen during the rest of the week until Friday, when the prices climbed more than \$2 on the news of terrorist attack on a Refinery of Saudi Arab. The April contract, which had already been trading higher before the Saudi news, closed at \$62.91, up \$2.37, or 3.9%, for the session. It was up \$1.62 from the week-ago close of \$61.29. The prices before this attack were on the lower side on good supply position in crude oil. After the blast on a refinery of Saudi Arabia, the crude oil prices jumped Friday, as Saudi Arabia is the world's dominant source of oil, supplying 13.1% of the world's oil in 2004, also the country is home to 25% of the world's proven oil reserves. Such uncertainty in the major producing country I the scenario of very thin spare capacity in crude oil, is really a matter of concern and thus the prices reacted sharply to the news. Other than, the uncertainties in Saudi, Nigeria and Iran, the supply position is good in crude oil and prices would cool down provided the uncertain world see some improvement. The rising crude prices in the scenario of rising inflation underpinned the yellow metal prices this week.

The greenback again saw volatile movements this week and remained firm during the earlier part of the week

against its major counterparts partly on strong economic data (leading indicators rose 1.1% in January) and partly on the expectations of further hike in interest rates (as CPI data showed unexpected increase of 0.7%). However, the buck fell sharply in the later half of the week on some weaker economic data (plunge in orders for U.S. durable goods) and geopolitical uncertainty (blast in oil refinery of Saudi Arabia). Dollar slipped 0.98% against it at 116.88 Yen per \$, it traded in the range of 116.405-118.985 Yen/\$ during the period. Euro gained 05% during the week at 1.18755 after trading in the range of \$1.1973-1.1861/Euro. The greenback fell more sharply against Yen as the Bank of Japan governor, Toshihiko Fukui, reiterated hawkish comments about the interest-rate outlook for the world's second-largest economy. The currency still seems tentative and its fate in the coming week will depend upon the upcoming economic data (current quarter GDP) and on the sociopolitical position.

Energy prices at the moment are mainly being driven by geopolitical uncertainty surrounding the world and bearish impact of good stock position is on the back seat. Which may come at the drivers seat, once these tides in the major producing nations settles down. Until, then the prices are likely to be supported at higher levels. Further, decision on cut in oil production by OPEC is also expected, which would cause more warmth in the energy prices. Thus, the prices are expected to maintain plus \$06 levels under such circumstances. This in turn might support the metal. Moreover, the greenback is currently under pressure due to poor economic data and excepted shrinkage in interest rate differential with the major counter parts. Thus, the scenario seems slightly biased towards the higher gold prices, but lower physical demand at higher prices might prove deterrent for lager gains. Silver investors are waiting for any development in the ETF issue and till then it is likely to follow gold.

Commodity: GOLD

Contract: COMEX April Contract (GCJ06)

Term: Short-term (Weekly)



Technical Analysis:

MACD has just made bullish crossover with its signal line indicating bullishness in the market. %K line is running upward above %D line, indicating continuation of bullish trend. Close above 9 days EMA and below 18 days EMA favors bulls in short term. Indicators are showing bullish inclination.

Recommendation: The bearish trend seems reversed, but still needs some confirmation. Prices are expected to remain volatile with bullish inclination. Remain Long.

Support and resistance Levels:

Contract	S-1	S- 2	R- 1	R - 2
COMEX Apri'06	550.4	547.6	568.9	570.4
NCDEX March'06	8049	7989	8140	8169

Commodity: SILVER

Contract: NCDEX March Contract

Periodicity: Weekly



Technical Analysis

MACD has made bullish crossover with its signal line and is running upward, indicating bullishness in the market. %K line is running upward above %D line, indicating continuation of bullish trend. Close above 9 days EMA and below 18 days EMA favors bulls. Spinning top pattern formed shows indecision. The indicators are showing bullish inclination.

The silver prices are expected to remain mainly on positive side.

Recommendation: Remain long.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX February'06	13470	13410	13628	13734

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