

PRECIOUS METALS (GOLD & SILVER)

March 27-April 01, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Silver was the main attraction among the metals this week. It kept on surging throughout the week as listing of Barclays Silver ETF is expected shortly. May silver at NYMEX climbed to 1194 cents per ounce, a level never seen since 1983, on Friday before closing at 1152 cents per ounce. The contract accumulated a hefty 7% during the week and huge 17.5% for the month. April silver at NCDEX traded as high as Rs 17630 during the week before closing at Rs 16886 per kg. The contract added hefty Rs 1251 (8%) during the week and a mammoth 22.38% during the month.
- Gold futures surged to record levels during the week on inflation concerns, rising crude prices and geopolitical concerns. June gold at NYMEX closed down \$5.10 at \$586.70 an ounce on the last trading day of the week, after touching a high of \$594.60, a level not seen since early 1981. The June contract accumulated 3.7% for the week and \$17 for the month. Similarly, April gold at NCDEX added Rs 260 (3.17%) during the week at Rs 8447.
- The greenback showed volatile movements during the week on mixed sentiments. Euro became dearer against dollar by 0.67% during the week and closed at \$1.2115 after touching the highs of \$1.2175 on Friday. Dollar closed the week steady against the Japanese currency at 117.645 Yen after trading in the range of 118.20-11245 Yen.
- Crude oil prices climbed during the period on concerns of supply disruptions from Iran and Nigeria. Crude for May delivery fell \$0.52 (0.8%), to close at \$66.63 a barrel on Friday, however, the contract added 3.7% during the week and 5.8% for the month. Meanwhile, it touched the record highs of \$573 on Friday.
- Fed raised interest rates for the fifteenth consecutive time on Tuesday by another quarter percentage points to 4.75% and showed intentions for further interest rate hike.
- Orders for U.S.-made manufactured goods rose 0.2% in February despite increase in aircraft orders, as decline in petroleum counter balanced it.
- Consumer sentiment in U.S. improved in the last month of quarter, the University of Michigan consumer sentiment index climbed to 88.9 in March from 86.7 in February.
- Consumer spending in the largest economy rose 0.1% in February, while incomes rose 0.3% during the same period.
- U.S. real GDP expanded at a 1.7% annualized rate in the quarter, against the earlier estimate of 1.6%. However, core consumer inflation increased at a 2.4% annual pace in the quarter, higher than the 2% target of the Fed.
- U.S. jobless claims fell by 10,000 to 302,000 last week, its concerning for Fed as it might increase the wage push inflation.

PRICES

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

Date	Delhi	London
27 March 2006	15865	1089.50
28 March 2006	15821	1081.00
29 March 2006	15765	1087.50
30 March 2006	16882	1145.00
31 March 2006	17243	1175.00
01 April 2006	16894

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

Date	Mumbai	London (am fix)	London (pm fix)
27 March 2006	8221	564.00	565.00
28 March 2006	8238	563.75	567.50
29 March 2006	8242	562.25	565.00
30 March 2006	8444	578.50	584.00
31 March 2006	8542	584.00	582.00
01 April 2006	8494

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (April. Contract)	COMEX -SILVER (May. Contract)
27 March 2006	15812	1089.5
28 March 2006	15740	1087.0
29 March 2006	16131	1111.5
30 March 2006	16908	1166.0
31 March 2006	16844	1152.0
01 April 2006	16886

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

Date	COMEX -GOLD (June Contract)	NCDEX-GOLD (April. Contract)
27 March 2006	572.6	8245
28 March 2006	572.2	8236
29 March 2006	578.6	8303
30 March 2006	591.8	8502

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

It was a week of metals as all major metals viz. gold, silver and copper saw the record levels during the period. Gold market surged on inflation concerns; rising energy prices and geopolitical uncertainty. Silver, on the other hand, kept hitting new highs on continued demand expectations from the Barclays Capital's silver ETF. The white metal added handsomely during the week.

The crude oil prices remained warm during this period, heated by the supply concerns from Iran, as the second largest exporter rejected the Security Councils directions to stop it uranium enrichments programme. Initially the prices surged on the new that repairs to a major refinery in the Caribbean are taking longer than expected. This is further supported by ongoing violence in Nigeria, which remained a cause for concern about the status of exports. On Monday, the contract closed lower after Nigerian insurgents freed three foreign oil workers who had been held hostage for more than a month. However, the group responsible for the kidnapping declared to continue to attack oil facilities operated by foreign companies in the African country. Triggered by these concerns the energy prices maintained higher levels despite the highest inventory position in seven years. Gasoline prices were also on the rise, on lower inventory amidst refinery maintenance. Crude for May delivery at New York Mercantile Exchange fell \$0.52 (0.8%), to close at \$66.63 a barrel on Friday, however, the contract added 3.7% during the week and 5.8% for the month. Meanwhile, it touched the record highs of \$573 on Friday. The prices should take correction according to fundamentals, which shows record supply position, but the concerns regarding sanctions on Iran is underpinning the market.

The buck showed volatile movements during the period depending upon the interest rate and general economic scenario. It strengthened initially against its major counterparts, as Fed raised interest rates for the fifteenth consecutive time on Tuesday by another quarter percentage points to 4.75% and showed intensions of further hike in forthcoming meeting. However, the bullish sentiments on currency on higher interest rate advantage seemed evaporating with expectations of hike in interest rate by ECB supported by healthy economic data for Germany. Euro became dearer against dollar by 0.67% during the week and closed at \$1.2115 after touching the highs of \$1.2175 on Friday. Dollar closed the week steady against the Japanese currency at 117.645 Yen after trading in the range of 118.20-11245 Yen. The currency at the moment seems still in ambiguous situation with expectations of interest rate hike by Federal Reserve and ECB both. Though, Fed is most likely to hike interest rates in the next meeting, the hike thereafter is questionable, as the rates would be in the upper band of the tolerance for the economic growth. In such a scenario, the buck is likely to show range bound movements; it may see some weakness during the earlier part of the week and recover on some strong data expected towards the end.

Thus, the high crude prices and inflation concerns, weaker dollar alongwith geopolitical uncertainties supported gold to fresh high levels this week. Whereas, investors took silver prices to astronomical high levels on continued interest in the metal amidst high demand expectation as listing of Silver ETF is expected shortly. The main driving factors for the yellow metal were inflation push demand and sociopolitical uncertainty, which are underpinning crude oil

prices. Further, the ECB indicated that they recently completed sale of 57 tons of gold, but since the ECB also suggested that they had no plans to sell any more gold the impact of the story is potentially in favour of the yellow metal. June gold at NYMEX closed down \$5.10 at \$586.70 an ounce on the last trading day of the week, after touching a high of \$594.60, a level not seen since early 1981. The June contract accumulated 3.7% for the week and \$17 for the month. Similarly, April gold at NCDEX added Rs 260 (3.17%) during the week at Rs 8447. However, silver has its own wings now a days and that is of investment demand. Market is still iterating the justified prices for silver, foreseeing the high investment demand in future when ETF starts trading. May silver at NYMEX climbed to 1194 cents per ounce, a level never seen since 1983, on Friday before closing at 1152 cents per ounce. The contract accumulated a hefty 7% during the week and huge 17.5% for the month.

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The crude oil prices market seems indecisive as it is swinging between concerns over supply disruptions and good inventory position. Dollar is expected to remain volatile. Thus, we expect the gold prices to remain positively biased in such a situation, however tentativeness at higher levels in the absence of any fresh boosting news is likely as the metal is extremely overbought. Silver market is driven unidirectional by ETF led demand for the metal. Any news on ETF listing would keep the metal on track. Market is putting high premiums for the fresh demand, which is expected to come whenever this fund gets listed.

Commodity: GOLD

Contract: COMEX June Contract (GCM06)

Term: Short-term (Weekly)



Technical Analysis:

MACD is running upward above its signal line in the positive territory, there is no sign of reversal. Stochastic is giving bearish signal in the overbought region, which warrants some caution to bulls. Close above 9 days and 18 days EMA favors bulls. Overall the indicators depict slightly mixed picture with bullish inclinations. However, one should trade cautiously at these higher and overbought levels.

Recommendation: At the moment the market has no clear direction and the prices will be news driven. Slight bullish

undertone is there. One should remain long with caution or buy afresh at major dips.

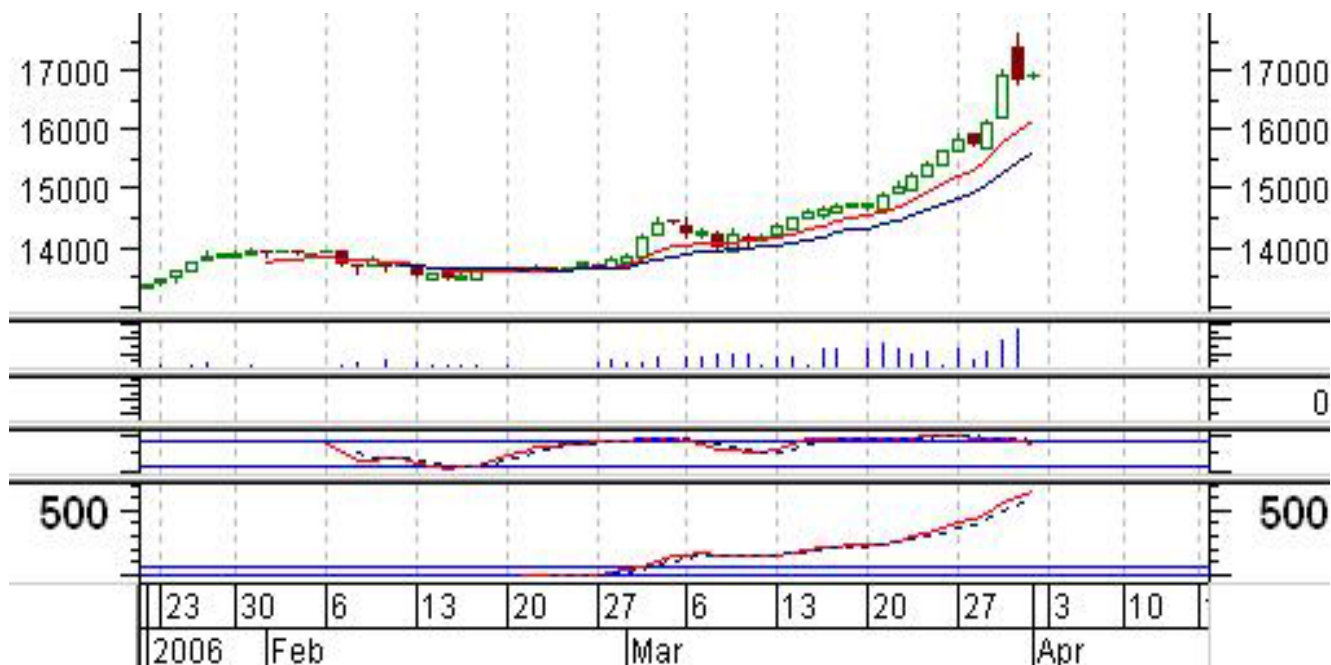
Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX Apr'06	574.3	569.2	593.3	600.7
NCDEX March'06	8238	8134	8566	8670

Commodity: SILVER

Contract: NCDEX April Contract

Periodicity: Weekly



Technical Analysis

MACD is running upward above its signal line in the positive territory, there is no sign of reversal. Stochastic is giving bearish signal in the overbought region, which warrants some caution to bulls. Close above 9 days and 18 days EMA favors bulls. Overall the indicators depict slightly mixed picture with bullish inclinations. However, one should trade cautiously at these higher and overbought levels.

Recommendation: Remain long with extreme caution.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX February'06	16586	16386	17475	17800

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