

PRECIOUS METALS (GOLD & SILVER)

April 17-22, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Silver witnessed roller coaster movements during the week at NYMEX. May silver surged to the highs of 1469 cents per ounce levels and then a sharp correction on Thursday washed away all the earlier gains of the week. The contract closed the week with minor gains of 11 cents at 1296.5 cents per ounce. Whereas, May silver at NCDEX traded as high as Rs 23190 during the week before closing at Rs 21108 per kg, meanwhile it touched the lows of Rs 17355. The contract added hefty Rs 1416 (7.19%) during the period.
- Gold posted further gains on inflation concerns, rising crude prices and geopolitical concerns this week but not before a sharp correction on Thursday on profit booking. Gold futures at NYMEX bounced back on the last trading day of the week, recovering almost all the losses of Thursday. Gold for June delivery rose \$12.40 to close at \$635.50 an ounce on the New York Mercantile Exchange, bouncing from a \$12.90 sharp fall on Thursday. It added 5.9% during the week. Similarly, May gold at NCDEX added Rs 644 (7.22%) during the week at Rs 8910 per 10 gm, the contract traded in the range of Rs 8953-9849.
- The greenback weakened during the week against its major counterparts as minutes of fed showed end of tightening policy. The news that some central banks (Sweden, Middle East) are diversifying away their reserves from dollar. The European currency traded as high as \$1.2393 during the period before ending the week at 1.2385 up 1.89% as compared to \$1.21085 in the previous week. Dollar slipped against Yen during the period from 118.665 Yen to 116.58 Yen; meanwhile it saw the lows of 116.55 Yen.
- Crude oil prices kept burning throughout the week on concerns of supply disruptions from Iran, Nigeria and lower U.S. crude supply position. Crude for June delivery added \$4.35 a barrel during the week at a record \$75.17 a barrel level, meanwhile, it touched the record highs of \$75.35 per barrel on Friday.
- The U.S. housing starts fell 7.8% in March, with the seasonally adjusted annual rate of 1.96 million units, the lowest level in a year. The decline was larger than expected.
- The Conference Board's U.S. index of leading economic indicators fell 0.1% last in March after a revised 0.5% drop in February, the indicator signaled slowdown in the economy. The economists were expecting it to remain unchanged.
- U.S. jobless claims fell by 10,000 to stand at 303,000 in the week ended April 15, the economists were expecting it to fall to 310,000.
- U.S. core inflation rose at the fastest pace in year in March. The core consumer price increased 0.3% last month, matching the March 2005 gain and overall, consumer prices rose 0.4% in March, led by higher energy prices. The rise in core inflation rekindled the expectations of further hike in interest rates by the Fed. U.S. producer prices rose 0.5% in March thanks to gains in gasoline prices and core PPI rose 0.1% in March.

PRICES

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

Date	Delhi	London
17 April 2006	19709	****
18 April 2006	20135	1363.50
19 April 2006	21397	1427.00
20 April 2006	21940	1431.00
21 April 2006	18755	1218.50
22 April 2006	20467	*****

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

Date	Mumbai0	London (am fix)	London (pm fix)
17 April 2006	8971	***	****
18 April 2006	9141	616.75	614.75
19 April 2006	9267	623.75	624.75
20 April 2006	9538	644.50	625.00
21 April 2006	9217	623.50	623.50
22 April 2006	9495	****	***

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (May Contract)	COMEX -SILVER (May. Contract)
17 April 2006	20262	1336.5
18 April 2006	21078	1378.5
19 April 2006	22317	1452.2
20 April 2006	19070	1252.5
21 April 2006	20445	1296.5
22 April 2006	21108	****

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

Date	COMEX -GOLD (June Contract)	NCDEX-GOLD (May Contract)
17 April 2006	618.8	9124
18 April 2006	623.3	9256
19 April 2006	636.0	9554
20 April 2006	623.1	9160
21 April 2006	635.5	9480
22 April 2006	****	9554

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

The week saw some roller coaster movements in precious metals in its later half. Both the precious metals sharp correction on Thursday and shed most of the earlier gains. Though they closed the week still on a firm note as the prices bounced back on Friday. Slight easing in crude prices and some strength in the greenback hit the overheated metal hard on Thursday, but the metals then recovered some of these losses on the last trading as buying support came at lower levels.

The crude oil prices remained warm during the week on the supply concerns, as the market feared the halt in crude supply from Iran due to its stand on nuclear research issue. Further continued violence in Nigeria, where already 40% of its production is at halt, kept the oil market on its toes. The reports by Energy department of poor U.S. crude supply position kept supporting the prices at higher levels. Gasoline prices were also on the rise due to sharp fall in inventories. Crude for June delivery added \$4.35 a barrel during the week at a record \$75.17 a barrel level, meanwhile, it touched the record highs of \$75.35 per barrel on Friday. Looking at the current situation, the prices will be eying mainly on the developments in these oil rich members of OPEC.

The buck remained weak throughout the week on the interest rate outlook and general economic scenario. The minutes of Fed meeting released recently showed that the Fed is almost coming to an end to the current tightening policy and the interest rates would no more be raised beyond 5%. The greenback slipped after the news as market saw the limited scope of interest advantage with the dollar. Further, recent news that some central banks like that of Sweden are diversifying away their reserves away from dollar and are investing in Euro. The central bank of

Sweden reduced its dollar-based investment by 17%-20%. There were also comments from Middle Eastern central banks last month that they are looking to diversify away their reserves out of U.S. dollar. The greenback got severe hitting at currency markets after these reports. The expectations of end to the current tightening policy in the scenario of rising inflation (as revealed by recent CPI data) and huge U.S. deficits are worrying for the greenback.

Thus, the high crude prices and geopolitical uncertainties alongwith the weakening greenback supported gold to higher levels this week. But as the hard currency was overbought, it showed some signs of correction also. The metal surged to record high levels in initial part of the week and took sharp correction on Thursday before finally recovering on Friday to end the week with gains. Silver on the other hand witnessed more severe downfall and washed away almost all the gains of the week. As the metals ETF story has gone behind the curtains these day with delay in launching of the same, the white metal was following the yellow metal and as it saw correction in gold, a severe downfall resulted in the overbought silver on profit booking. Both the metals were due for some correction after recent steep rally and this correction was healthy for their further journey. Gold for June delivery rose \$12.40 to close at \$635.50 an ounce on the New York Mercantile Exchange, bouncing from a \$12.90 sharp fall on Thursday. It added 5.9% during the week. Similarly, May gold at NCDEX added Rs 644 (7.22%) during the week at Rs 8910 per 10 gm, the contract traded in the range of Rs 8953-9849. Whereas, May silver at NCDEX traded as high as Rs 23190 during the week before closing at Rs 21108 per kg, meanwhile it touched the lows of Rs 17355. The contract added hefty Rs 1416 (7.19%) during the period.

The crude oil prices at the moment are mainly driven by the supply concerns in Iran, Nigeria and Iraq and its fate will depend mainly on developments seen in this front. Dollar is expected to remain volatile on the weaker side. Thus, we expect the gold prices to track mainly the movements in crude oil prices and strength of the buck. In the absence of any fresh inputs, the metal might find its way downward for consolidation. Similar is the situation for white metal and

any correction would be sharper in the white metal as compared to gold. However, the ETF issue is still there to support the prices and will keep the prices bullish in medium to long term. For the precious metals to resume their upward journey, some healthy correction are needed to attract fresh buying. However, any adverse developments in Iran developments would trigger the prices again.

Commodity: GOLD

Contract: COMEX June Contract (GCM06)

Term: Short-term (Weekly)



Technical Analysis:

MACD is showing signs of turning down, but is still its signal line in the positive territory; there is no clear signal of reversal. Stochastic is running downward in the neutral region, showing some weakness in the market sentiments. Close above 9 days and 18 days EMA favors bulls. Overall the indicators are depicting mixed signals.

Recommendation: At the moment the gold market is looking tentative, however, medium term outlook is still bullish. However, caution is suggested to the gold bulls, as

possibility of some more correction cannot be ruled out. Wait for major dips to buy. Buy near first support levels.

Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX June'06	619.3	605.9	642.9	654.6
NCDEX May'06	9198	8970	9792	9951

Commodity: SILVER

Contract: NCDEX May Contract

Periodicity: Weekly



Technical Analysis

MACD has made bearish crossover with its signal line. Stochastic is turning upward in the neutral region; there is no clear signal for the direction. Close below 9 days and 18 days EMA shows bearish market sentiments. Overall the indicators are depicting indecision with bearish inclination.

Recommendation: Buy on major dips.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX May'06	19121	18119	22880	23971

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