

PRECIOUS METALS (GOLD & SILVER)

April 03-07, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Silver prices surged to astronomical highs this week on long awaited ETF led demand expectations and firmness in the gold prices. May silver at NYMEX climbed to 12195 cents per ounce, a level never seen since 1981 towards the end of the week before closing at 12070 cents per ounce at a gain of 55 cents (4.7%) during the period. April silver at NCDEX traded as high as Rs 17880 during the week before closing at Rs 17822 per kg. The contract added hefty Rs 927 (5.48%) during the week.
- Gold futures surged to record levels during the week on inflation concerns, rising crude prices and geopolitical concerns. June gold at NYMEX closed up \$6 (1.02%) at \$592.70 during the week; meanwhile it touched the record high levels of \$603.1 cents per ounce on Thursday. Similarly, April gold at NCDEX added Rs 151 (1.79%) during the week at Rs 8591 per 10 gm.
- The greenback showed volatile movements during the week on mixed sentiments; it initially weakened against its major counterparts and then recovered towards the end on higher interest rate expectations. Euro became slightly cheaper against dollar by 0.18% during the week and closed at \$1.2092 after touching the highs of \$1.23305 on Thursday. Dollar closed the week with slight gains (0.6%) during the week against the Japanese currency at 118.33 Yen after trading in the range of 118.78-116.67 Yen.
- Crude oil prices climbed to further higher levels during the period on concerns of supply disruptions from Iran and Nigeria. Crude for May delivery added 74 cents a barrel during the week at \$67.37 a barrel, meanwhile, it touched the record highs of \$69.2 per barrel on Friday.
- U.S. wholesale Inventories increased by 0.8% in February, while sales were flat, the inventory-to-sales ratio rose to 1.17 from a record low 1.16 in January. The economists were expecting inventories to rise 0.5%.
- Consumer credit in the largest economy climbed up by 1.8% to \$2.163 trillion, the overall credit for January was revised to rise by 3.4% from earlier 2.2%. Analysts were expecting consumer credit to rise by \$3.4 billion.
- The U.S. unemployment rate fell to a five-year low of 4.7% in March, the nonfarm payrolls rose by 211,000 in March, while wage growth was tame, rising 0.2% for the month. The data raised concerns over inflation.
- The non-manufacturing sectors of the U.S. economy grew at a steady pace in March. The ISM services index edged higher to 60.5% from 60.1% in February. The economists were expecting it to decline marginally to 59.5%.
- U.S. jobless claims unexpectedly fell by 5,000 to 299,000 in the week ended April 1; the economists were expecting it to rise to about 306,000. U.S. factory activity slowed in March, the ISM index fell to 55.2% in March from 56.7%.

PRICES

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

Date	Delhi	London
03 April 2006	17125	1158.5
04 April 2006	17314	1174.5
05 April 2006	17274	1165.5
06 April 2006	-	1203.0
06 April 2006	17854	1216.5
07 April 2006	17820

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

Date	Mumbai0	London (am fix)	London (pm fix)
03 April 2006	8547	585.50	587.00
04 April 2006	8578	585.00	588.00
05 April 2006	8545	583.85	586.50
06 April 2006	87.8	595.50	592.50
06 April 2006	8715	597.00	589.75
07 April 2006	8614

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (April. Contract)	COMEX -SILVER (May. Contract)
03 April 2006	17319	1173.00
04 April 2006	17238	1170.50
05 April 2006	17251	1204.50
06 April 2006	17765	1207.00
06 April 2006	17752	1256.00
07 April 2006	17822	...

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

Date	COMEX -GOLD (June Contract)	NCDEX-GOLD (April. Contract)
03 April 2006	594.3	8552
04 April 2006	590.6	8527
05 April 2006	592.5	8547
06 April 2006	599.7	8646
06 April 2006	592.7	8571
07 April 2006	8591

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

Again it was a week of celebrations for the precious metals as gold and silver both surged to 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 and was also supported by the strength in the other metals. 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 supply from the second largest exporter of crude oil is under doubts in case it is subjected to economic sanctions. Its uranium enrichments programme and nuclear research is being seen by the major economies as threat to peace. Further, the tensions in Iraq and Nigeria, the other two important hubs of crude oil fueled the supply concerns. 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 ahead of U.S. car racing season, on lower inventory amidst refinery maintenance. Crude for May delivery added 74 cents a barrel during the week at \$67.37 a barrel, meanwhile, it touched the record highs of \$69.2 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 showed volatile movements during the period on the interest rate outlook and general economic scenario. It weakened initially against its major counterparts on some poor economic data, which showed signs of slowing down in the largest economy. However, the euro remained under pressure after the European Central Bank chief Jean-Claude Trichet dampened market expectations of a certain

May rate hike on Thursday.. Further, strong payroll data on Friday triggered the currency as expectations of further hike in interest rate found support from it. Thus, the dollar reversed early weakness against the euro and ended the week on a firmer note. Euro became slightly cheaper against dollar by 0.18% during the week and closed at \$1.2092 after touching the highs of \$1.23305 on Thursday. Dollar closed the week with slight gains (0.6%) during the week against the Japanese currency at 118.33 Yen after trading in the range of 118.78-116.67 Yen. The currency at the moment seems still in ambiguous situation as it getting support only from the interest rate advantage over its counterparts, further the possibility of U.S. action against Iran would put pressure on the buck. 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.

Thus, the high crude prices and inflation concerns, weaker dollar alongwith geopolitical uncertainties supported gold to fresh high levels this week also. 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, despite lower demand from jewellery use the high investment demand for both of the precious metals is supporting the metals at these higher levels. June gold at NYMEX closed up \$6 (1.02%) at \$592.70 during the week; meanwhile it touched the record high levels of \$603.1 cents per ounce on Thursday. Similarly, April gold at NCDEX

added Rs 151 (1.79%) during the week at Rs 8591 per 10 gm. Similarly May silver at NYMEX climbed to 12195 cents per ounce, a level never seen since 1981 towards the end of the week before closing at 12070 cents per ounce at a gain of 55 cents (4.7%) during the period. April silver at NCDEX traded as high as Rs 17880 during the week before closing at Rs 17822 per kg. The contract added hefty Rs 927 (5.48%) during the week.

The crude oil prices at the moment are solely driven by the supply concerns in Iran, Nigeria and Iraq and are likely to remain so unless any positive developments seen in this front. Any positive news would cause a sharp correction in the crude prices. Dollar is expected to remain volatile. Thus, we expect the gold prices to remain positively biased

in such a situation, however severe correction can not be ruled out in case of ease in situations in sociopolitical arena. So one should keep a close eye over these developments while maintaining long position in the yellow metal, betting against the trend should be avoided. Similar is the situation for white metal where the ETF news has been factored in and the market is mainly driven by the uncertainties in the sociopolitical and economic scenario. 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. Caution is the word that fits for these avenues of investments.

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 gold market has no clear indication for correction and the prices are likely to continue the current trend. However, extremely overbought

levels calls for caution. One should remain long with extreme caution. Take fresh long positions only on major dips.

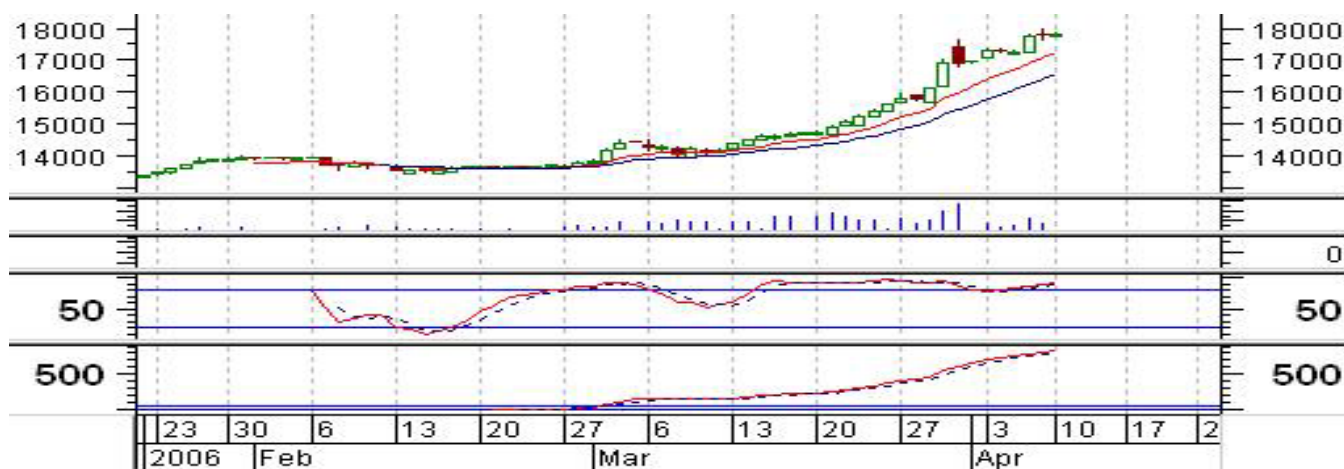
Support and resistance Levels:

Contract	S1	S2	R1	R2
COMEX Apr'06	586.2	580.6	610.5	618.5
NCDEX March'06	8539	8477	8801	8888

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 running upward in the overbought region, which warrants some caution to bulls. Close above 9 days and 18 days EMA favors bulls. Overall the indicators depict bullish picture. However, one should trade cautiously at these higher and overbought levels.

Recommendation: Remain long with extreme caution or wait for major dips to enter afresh.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX February'06	1800	17502	19237	19873

Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.