

## PRECIOUS METALS (GOLD & SILVER)

April 09-15, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Silver witnessed yet another week of hefty gains on high demand and geopolitical uncertainties. May silver at NYMEX climbed to 1301 cents per ounce on Tuesday, a level never seen since 1981 and closed the holiday shortened week at a handsome gain of 78 cents (6.47%) at 1285 cents per ounce. April silver at NCDEX with two extra days of trading against COMEX silver traded as high as Rs 19750 during the last trading day of the week before closing at Rs 19692 per kg. The contract added mind blowing Rs 1875 (10.5%) during the period.
- Gold posted further gains on inflation concerns, rising crude prices and geopolitical concerns this week. Gold futures surged to record levels during the first day of the week and then remained calm during the most part of the week at COMEX; however, it posted heavy gains towards the end of the week at NCDEX. June gold at NYMEX closed up \$7.4 (1.25%) at \$600.1; meanwhile it touched the record high levels of \$608.4 cents per ounce on Tuesday. Similarly, April gold at NCDEX added Rs 259 (2.99%) during the week at Rs 8910 per 10 gm.
- The greenback showed volatile movements in a range during the holiday-shortened 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 costlier against dollar by 0.13% during the week and closed at \$1.21085 after touching the highs of \$1.2167. Dollar closed the week with slight gains (0.33%) during the week against the Japanese currency at 118.33 Yen after trading in the range of 118.88-117.81 Yen.
- Crude oil prices kept burning throughout the week on concerns of supply disruptions from Iran and Nigeria. Crude for May delivery added \$1.93 a barrel during the week at \$69.32 a barrel, meanwhile, it touched the record highs of \$69.60 per barrel on Wednesday.
- Capacity utilization in the U.S. increased to 81.3% in March, the highest level since September 2000, output rose 0.6% in March, the best gain since December. The data showed the strong economy and raised inflation concerns.
- U.S. consumer sentiment improved in April, the consumer sentiment index rose to 89.2 in April from 88.9 in March.
- Prices of goods imported into the U.S. decreased 0.4% in March thanks to fall in petroleum prices by 0.7% during the period, economists expected import prices to rise 0.1% in March after February's 0.5% drop.
- U.S. Jobless claims unexpectedly rose by 12,000 to 313,000 in the week ending April 8, economists expected a slight increase in initial claims to about 305,000.
- The trade deficit narrowed 4.1% to \$65.7 billion in February, as the drop in imports was larger than that of exports. This is the biggest improvement in the trade deficit since last November.
- The U.S. federal deficit widened to \$85.5 billion in March compared with \$71.2 billion in March a year ago

### PRICES

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

Date	Delhi	London
10 April 2006	18403	1241.75
11 April 2006	NA	1267.00
12 April 2006	18789	1275.00
13 April 2006	18875	1261.00
14 April 2006	19165	****
15 April 2006	19502	****

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

Date	Mumbai0	London (am fix)	London (pm fix)
10 April 2006	8752	597.50	597.25
11 April 2006	8797	599.50	597.75
12 April 2006	8825	596.75	597.25
13 April 2006	8825	597.00	593.00
14 April 2006	8873	***	***
15 April 2006	8898	***	***

### Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (May Contract)	COMEX -SILVER (May. Contract)
10 April 2006	18601	1256.0
11 April 2006	18738	1260.0
12 April 2006	18938	1266.3
13 April 2006	19219	1285.5
14 April 2006	19388	****
15 April 2006	19692	****

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

Date	COMEX -GOLD (June Contract)	NCDEX-GOLD (May Contract)
10 April 2006	601.8	8789
11 April 2006	599.4	8767
12 April 2006	601.3	8832
13 April 2006	600.1	8837
14 April 2006	****	8857
15 April 2006	****	8910

## 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, though silver outperformed the yellow metal. 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 the holiday shortened week, 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 due to sharp fall in inventories. Crude for May delivery added \$1.93 a barrel during the week at \$69.32 a barrel, meanwhile, it touched the record highs of \$69.60 per barrel on Wednesday. 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 remained range bound during the period and danced both ways on mixed sentiments. Narrow U.S. trade gap data, favourable U.S. import price data and improved consumer sentiments report for the largest economy supported the dollar. Also, tight capacity utilization report in conjunction

with tight labor market situation raised concerns over inflation and thus increased the chances of further interest rate hike by the Fed. Euro became slightly costlier against dollar by 0.13% during the week and closed at \$1.21085 after touching the highs of \$1.2167. Dollar closed the week with slight gains (0.33%) during the week against the Japanese currency at 118.33 Yen after trading in the range of 118.88-117.81 Yen. The buck is likely to show range bound movements with slightly bearish inclination, as the market would be eying a flurry of data to be released next week.

Thus, the high crude prices and inflation concerns alongwith geopolitical uncertainties supported gold to fresh high levels this week too. The metal surged to record high levels in initial part of the holiday-shortened week and remained subdued thereafter. The main driving factors for the yellow metal were inflation push demand and sociopolitical uncertainty, which are underpinning crude oil prices. Whereas, investors took silver prices to astronomical high levels on continued interest in the metal amidst high demand expectations as listing of Silver ETF is expected shortly. 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. Gold posted further gains on inflation concerns, rising crude prices and geopolitical concerns this week. Gold futures surged to record levels during the first day of the week and then remained calm during the most part of the week at COMEX; however, it posted heavy gains towards the end of the week at NCDEX. June gold at NYMEX closed up \$7.4 (1.25%) at \$600.1; meanwhile it touched the record high levels of \$608.4 cents per ounce on Tuesday. Similarly, April gold at NCDEX added Rs 259

(2.99%) during the week at Rs 8910 per 10 gm. May silver at NYMEX climbed to 1301 cents per ounce on Tuesday, a level never seen since 1981 and closed the holiday shortened week at a handsome gain of 78 cents (6.47%) at 1285 cents per ounce. April silver at NCDEX with two extra days of trading against COMEX silver traded as high as Rs 19750 during the last trading day of the week before closing at Rs 19692 per kg. The contract added mind blowing Rs 1875 (10.5%) during the period.

The crude oil prices at the moment are mainly driven by the supply concerns in Iran, Nigeria and Iraq and are likely to remain so unless any positive developments seen in this front, further warmth in gasoline prices due to shrinking inventories is also supporting the crude prices. Dollar is expected to remain volatile. Thus, we expect the gold

prices to remain positively biased in such a situation, however correction cannot be ruled out in case of ease in situations in geopolitical arena. Also, flurry of data to be released this week will have some say on the prices. 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 led demand is pushing the metal higher and higher. 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 has made kick formation and running downward in the neutral region. Close above 9 days and 18 days EMA favors bulls. Overall the indicators are depicting mixed signals with bullish inclination in the gold market. However, one should trade cautiously at these higher levels.

**Recommendation:** At the moment the gold market is being supported by the fundamentals and the prices are likely to

continue current trend. However, caution is suggested to the gold bulls. One should remain long with caution.

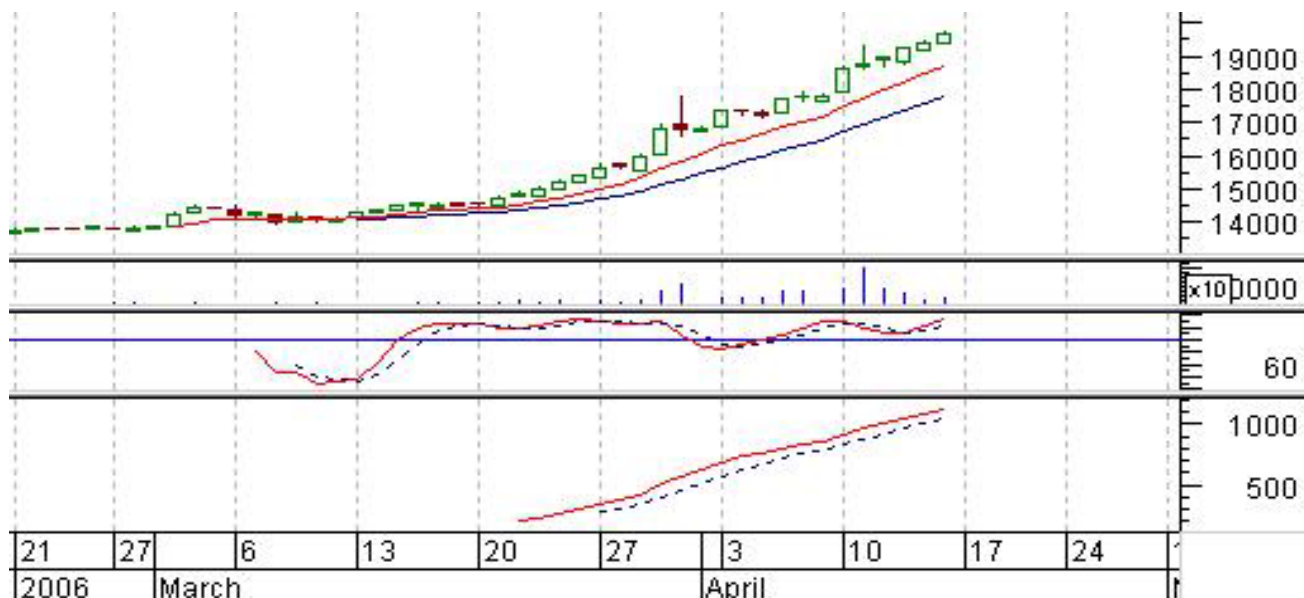
### Support and resistance Levels:

Contract	S1	S2	R1	R2
COMEX June'06	594.3	584.88	615.8	623.9
NCDEX May'06	8736	8676	9000	9075

Commodity: SILVER

Contract: NCDEX May Contract

Periodicity: Weekly



#### Technical Analysis

MACD is running upward above its signal line in the positive territory, there is no sign of reversal. Stochastic has made bullish crossover in the overbought region, the overbought levels however warrants some caution to bulls. Close above 9 days and 18 days EMA favors bulls. Overall the indicators are depicting bullish sentiments in the silver

market. However, one should trade cautiously at these higher and overbought levels.

**Recommendation:** Remain long with caution.

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX May'06	19119	18488	20256	20323

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