

PRECIOUS METALS (GOLD & SILVER)

April 22-27, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Gold futures recovered slightly towards the end of the week, but still shed 1% during the period. Gold for June delivery slipped to a low of \$637 an ounce on the New York Mercantile Exchange, before closing out the week marginally down \$6.5 at \$651 per ounce. Similarly, June gold at NCDEX also shed moderately during the period. The contract shed Rs 137 (1.38%) at Rs 9922 during the period after trading in the range of Rs 9864-10740
- Silver prices recovered towards the end of the week to close with marginal gains. The white metal futures for July delivery at NYMEX added 37 cents (0.3%) at \$12.73 an ounce. The futures traded in the range of \$1188-1319.5 during the period. Similarly, June silver at NCDEX closed marginally up (0.93%) at Rs 19082 during the period.
- The greenback remained quite volatile during the week and ended with some modest gains against its major counterparts. The European currency traded between \$1.2693-1.28895 during the week, before closing at very modest loss at 1.2726 on Friday. Dollar showed roller coaster movements against Japanese currency during the period and traded in the range of 110.95-112.96 before closing the week slightly firm at 112.63 Yen.
- The energy prices closed the week with some gains after trading volatile during the period. Crude for July delivery closed at \$71.37 a barrel on the New York Mercantile Exchange, up 258 cents (3%) for the period, meanwhile it traded in the range of \$68.17-72.15 per barrel.
- U.S. Core inflation excluding food and energy rose 0.2% in April, as expected, after a 0.3% gain in March. Core inflation rose 2.1% in the past 12 months; it was the fastest gain since March 2005.
- Personal incomes rose 0.5% in April, but consumer prices also rose 0.5% during the month, real disposable incomes fell 0.1%. Real per-capita incomes fell 0.2%, the third decline this year.
- U.S. consumer sentiment remained steady in late May after a sharp decline earlier in the month, the University of Michigan consumer-sentiment index inched higher to 79.1 points in late May from 79.0 earlier in the month.
- The U.S. economy grew at a 5.3% annual rate in the first quarter according to revised GDP data; earlier it was estimated 4.8%. The upward revision was not as large as expected 5.6%.
- Sales of existing homes fell 2% in April to a seasonally adjusted annual rate of 6.76 million, the decline was close to the 6.74 million expected by economists.

PRICES

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

Date	Delhi	London
22 May 2006	18649.35	1216.00
23 May 2006	19428.25	1287.00
24 May 2006	19348.00	1280.00
25 May 2006	19128.20	1257.00
26 May 2006	19292.60	1270.00
27 May 2006	19007.70	****

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

Date	Mumbai0	London (am fix)	London (pm fix)
22 May 2006	9633.75	645.50	652.50
23 May 2006	9786.45	661.70	666.75
24 May 2006	9894.40	337.50	648.50
25 May 2006	9668.45	643.75	642.50
26 May 2006	9749.20	652.00	642.25
27 May 2006	9756.05	****	****

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (June Contract)	COMEX -SILVER (July Contract)
22 May 2006	18842	1243.00
23 May 2006	20068	1317.00
24 May 2006	18980	1251.50
25 May 2006	19211	1260.00
26 May 2006	19216	1273.00
27 May 2006	19082	****

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

Date	COMEX -GOLD (June Contract)	NCDEX-GOLD (June Contract)
22 May 2006	657.7	9838
23 May 2006	673.7	10126
24 May 2006	637.5	9646
25 May 2006	648.5	9778
26 May 2006	651.0	9810
27 May 2006	****	9785

GOLD DEMAND STATISTICS (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 the precious metals as volatility in the greenback kept the metals directionless. Both gold and silver witnessed recovery towards the end of the week after initial hitting. The recovery was supported by crude oil prices, which remained slightly warmer during the period. However, the vigor was absent in the precious metals markets.

The crude oil prices remained warm during the period as supply concerns due to forthcoming peak driving season and Hurricanes season supported the higher prices despite good U.S. inventory position in crude and gasoline. Projection of abnormal hurricane season kept the market participants worried about the crude supply, as the production has still not recovered from the blows of the last season's Katrina and Rita. Meanwhile, Iran issue is still in a doubtful position and the further move of Iran is not clear. Crude for July delivery closed at \$71.37 a barrel on the New York Mercantile Exchange, up 258 cents (3%) for the period, meanwhile it traded in the range of \$68.17-72.15 per barrel.

The buck danced to the tune of economic data released this week. The expectations regarding further interest rate hike or pause kept swinging both ways and thus the currency moved accordingly. Looking at the inflation data released recently, the Fed is expected to raise interest rates further for the seventeenth consecutive time to give support to the currency. However, slowing housing sector and lower consumption expenditure by consumers are hinting for a pause in interest rates. All in all the situation is dubious and volatility in the currency is likely in the forthcoming week. The European currency traded between \$1.2693-1.28895 during the week, before closing

at very modest loss at 1.2726 on Friday. Dollar showed roller coaster movements against Japanese currency during the period and traded in the range of 110.95-112.96 before closing the week slightly firm at 112.63 Yen.

Thus, volatility in the greenback due to fluctuating prospects of the interest rate hike, some warmth in the crude oil prices and slightly easing geopolitical uncertainties kept the yellow metal zigzagging with slightly bullish bias throughout the week. Further, the World Gold Council's report that the demand for yellow metal fell 16% during the first quarter of the year 2006 imparted some bearish tone to the market. The overheated metals' market got strong blows during a week prior to this, but the precious metals market remained directionless during this week. Gold for June delivery slipped to a low of \$637 an ounce on the New York Mercantile Exchange, before closing out the week marginally down \$6.5 at \$651 per ounce. Similarly, June gold at NCDEX also shed moderately during the period. The contract shed Rs 137 (1.38%) at Rs 9922 during the period after trading in the range of Rs 9864-10740. The white metal futures for July delivery at NYMEX added 37 cents (0.3%) at \$12.73 an ounce. The futures traded in the range of \$1188-1319.5 during the period. Similarly, June silver at NCDEX closed marginally up (0.93%) at Rs 19082 during the period.

The precious metals still seem in search of direction and are likely to show some more volatility in the forthcoming week. Some attempts for recovery is likely in the absence of any major bearish news. Silver, on the other hand is expected to follow gold. Any sort of weakening in the greenback would bring some shine back to the precious metals.

Commodity: GOLD

Contract: COMEX June Contract (GCM06)

Term: Short-term (Weekly)



Technical Analysis:

MACD is moving downwards below its signal line indicating bearishness in the market to continue. Stochastic is moving downward in the oversold region, which warrants some caution to bears. Close below 9 days and 18 days EMA favors bears. Overall the indicators are depicting weakness in the market, however, oversold levels warrants some caution.

Recommendation: At the moment the gold market is looking slightly bearish, however, some recovery is likely as market is extremely oversold. Buying support at lower

levels would cause market to recover. Risk lovers can take long position cautiously; maintain proper stop loss.

Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX June'06	639.81	630.77	668.77	677.89
NCDEX June'06	9540	9378	10215	10458

Commodity: SILVER

Contract: NCDEX June Contract

Periodicity: Weekly



Technical Analysis

MACD is moving upward above its signal line in the negative territory indicating some strength in the market. Stochastic is moving upward in the neutral region. Close above 9 days and 18 days EMA favors bulls. Overall the indicators are depicting some strength in the market.

Recommendation: Silver prices are likely to show volatile movements, some recovery is likely. Remain long with caution.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX June'06	18098	17531	20461	21312

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