

MAJOR ACTIVITY HIGHLIGHTS

- Gold futures shed more than 1% on Friday but still closed the week with gains on geopolitical concerns and fresh weakness in greenback. Gold futures for June delivery on the New York Mercantile Exchange accumulated \$28 (3.57%) during the period at record \$711.8 an ounce, meanwhile the contract touched the highs of \$732 on Friday. June gold at NCDEX added handsome Rs 607 (5.98%) during the week at Rs 10757 per 10 gm, the contract traded in the range of Rs 10045-10917.
- Silver copied the movements in gold during the week and closed with gains. Though the white metal futures for July delivery at NYMEX dropped 70 cents (4.7%) Friday to finish at \$14.235 an ounce, the futures still closed the week 2.5% higher. Silver futures seemed sluggish while following gold and copper in upward direction this week. June silver at NCDEX also added a good Rs 503 (2.36%) during the period.
- The greenback continued its choppy trade during the week and it tumbled to one-year lows against Euro and eight month low against Yen and even narrower than expected trade deficit data couldn't support it. The currency weakened as market is expecting the interest rate advantage of the currency to dampen a bit. The European currency traded as high as \$1.29555 on Friday before ending the week at 1.29265 up 1.57% as compared to \$1.27255 in the previous week. Dollar slipped 2.28% against Yen during the period from 112.57 Yen to 110 Yen; meanwhile it saw the lows of 109.305 Yen on Friday.
- The energy prices remained hot during the most part of the week. Crude oil futures at NYMEX started the week on a weaker note but then the prices surged on tensions in Nigeria and Iran story. Crude for June delivery slipped to the lows of \$68.25 on Monday and then prices surged to see the highs of \$73.9 per barrel before ending the week on slightly weaker note at \$72.04 per barrel. The futures added 2.63% during the period.
- The trade deficit of the largest economy unexpectedly narrowed by 5.6% to \$62 billion in March, it was the lowest deficit since August. A record amount of U.S. exports was the main reason behind this shrinkage in trade deficit. The economists were expecting it to widen to \$66.9 billion. Exports increased 1.9% to a record \$114.7 billion, while March's imports fell 0.8% to \$176.7 billion.
- U.S. consumers' economic confidence crushed in early May on higher gasoline prices. The University of Michigan consumer sentiment index fell to 79.0 in May from 87.4 in April. Economists expected a much smaller decline to about 86.4.
- U.S. jobless claims in the week ending May 6 remained strong up around its highest level of the year. The initial claims fell only marginally by 1000 to 324,000. The economists were expecting it to fall by 6000 to 316000.
- The Federal Reserve raised interest rates sixteenth consecutive time by a quarter percentage point to 5% on Wednesday, but there is still suspicion about the further hike in the market.
- U.S. retail sales during April rose 0.5% on the back of higher spending on gas. The increase in retail sales was lower than expected 0.7%. Excluding gasoline sales, seasonally adjusted retail sales rose 0.1% in April.

PRICES

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

Date	Delhi	London
08 May 2006	20533	1375.0
09 May 2006	20606	1389.5
10 May 2006	21045	1434.0
11 May 2006	NA	1443.0
12 May 2006	21753	1494.0
13 May 2006	21158	*****

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (June Contract)	COMEX -SILVER (July Contract)
08 May 2006	20981	1377.0
09 May 2006	21712	1446.5

10 May 2006	21628	1428.0
11 May 2006	22264	1493.5
12 May 2006	21722	1423.5
13 May 2006	21702	*****

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

Date	Mumbai0	London (am fix)	London (pm fix)
08 May 2006	10001	682.00	675.50
09 May 2006	10002	679.75	691.25
10 May 2006	10312	704.30	699.90
11 May 2006	10448	707.00	715.50
12 May 2006	10709	725.75	725.00
13 May 2006	10554	*****	*****

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

Date	COMEX -GOLD (June Contract)	NCDEX-GOLD (June Contract)
08 May 2006	679.9	10114
09 May 2006	701.5	10362

10 May 2006	705.7	10465
11 May 2006	721.5	10771
12 May 2006	711.8	10732
13 May 2006	*****	10757

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 new record high levels in the yellow metal prices where as the white metal followed the movements in yellow metal sluggishly in upward direction. The firm crude oil prices and weaker dollar kept the investment demand for the hard currency high this week. Though, silver followed gold, the recent vigor was absent in the white metal market.

The crude oil prices slipped initially on the first trading day of the week when the Iran issue seemed cooling down after the letter from Iran to Bush. Also, healthy U.S. crude inventory data eased some concerns over the supply. However, the crude prices surged again during rest of the week, as tensions in Nigeria and Iran's nuclear issue kept underpinning the prices. The prices showed some weakness on the last trading day of the week as IEA reduced its demand forecast for the year 2006 by 15%. Crude for June delivery slipped to the lows of \$68.25 on Monday and then prices surged to see the highs of \$73.9 per barrel before ending the week on slightly weaker note at \$72.04 per barrel. The futures added 2.63% during the period. In the current situation of geopolitical uncertainties and higher expected gasoline demand during the peak-driving season, the crude prices are likely to remain firm. As the Iran's nuclear issue is still unresolved and tensions in Nigeria is not coming to an end, the downside potential for

the crude prices are limited particularly when we are heading towards the Hurricane season.

The buck remained weak throughout the week and even unexpected narrowing in the U.S. trade deficit during March couldn't support the Buck. The Fed raised its key interest rate for the sixteenth consecutive time by a quarter percentage points, but as it gave no clear indication about the future course of action, market is anticipating a pause for the moment in interest rate. However, increasing strength of Euro against dollar might prove to be a worrying factor for the exports growth of the Euro zone, which might induce the ECB to think over it before rising interest, at the moment market is expecting interest rate hike by ECB to the tune of 0.25%. Thus, the greenback weakened against its major counterparts as market is expecting the interest rate advantage of the currency to dampen a bit. The European currency traded as high as \$1.29555 on Friday before ending the week at 1.29265 up 1.57% as compared to \$1.27255 in the previous week. Dollar slipped 2.28% against Yen during the period from 112.57 Yen to 110 Yen; meanwhile it saw the lows of 109.305 Yen on Friday.

Thus, weaker dollar and geopolitical uncertainties supported gold at higher levels this week too despite slight easing in crude oil prices. Though, the momentum seemed slowing down in gold, the metal still managed to close the week with handsome gains as the market put hefty

premiums for the geopolitical uncertainty. Gold futures for June delivery on the New York Mercantile Exchange accumulated \$28 (3.57%) during the period at record \$711.8 an ounce, meanwhile the contract touched the highs of \$732 on Friday. June gold at NCDEX added handsome Rs 607 (5.98%) during the week at Rs 10757 per 10 gm, the contract traded in the range of Rs 10045-10917. Silver moved slightly sluggishly and the white metal futures for July delivery at NYMEX closed the week 2.5% higher. June silver at NCDEX also added a good Rs 503 (2.36%) during the period.

The yellow metal still looks bullish but the developments in geopolitical scenario and strength in greenback will be very crucial for its further movements. Silver, on the other hand is expected to remain tentative at higher levels. Some correction for consolidation at the stage cannot be ruled out provided the geopolitical tides dampens a bit and/or dollar gets some strength. The precious metal market will be eying closely the developments in Iran's nuclear issue and strength of the Buck.

Commodity: GOLD

Contract: COMEX June Contract (GCM06)

Term: Short-term (Weekly)



Technical Analysis:

MACD is climbing high above its signal line in the positive territory; there is no sign of reversal in the trend. Stochastic is moving downward after making frequent crossovers in the overbought territory, the indicator is hinting for some possible correction. Close above 9 days and 18 days EMA favors bulls. Overall the indicators are depicting mixed sentiments in the gold market.

Recommendation: At the moment the gold market is looking a little tentative and some more correction for

consolidation at the stage cannot be ruled out. Major dips would serve as a good entry points. Buy on Major dips.

Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX June'06	683.1	647.8	728.0	742.0
NCDEX May'06	9927	9685	10798	11007

Commodity: SILVER

Contract: NCDEX June Contract

Periodicity: Weekly



Technical Analysis

MACD has made bearish crossover with its signal line in the positive territory. Stochastic has also given bearish signal in the neutral region. Close marginally above 9 days and 18 days EMA shows bullish trend is still intact but has weakened. Overall the indicators are depicting mixed market sentiments and correction is likely.

Recommendation: Silver prices are likely to show volatile movements, correction is likely. Buy on major dips.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX June'06	19516	18881	21946	22539

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