

## PRECIOUS METALS (GOLD & SILVER)

April 01-06, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Silver futures seemed sluggish while following gold and copper in upward direction this week. The metal traded in a tighter band as compared to its recent wide range and the prices remained far below its recent highs. Silver for August delivery at NYMEX closed the week with moderate gains of 26 cents (1.9%) at 1389 cents per ounce. Similarly May silver at NCDEX added a good Rs 469 (2.31%) during the period.
- Gold futures posted further gains this week on geopolitical concerns and fresh weakness in greenback. Gold futures for June delivery on the New York Mercantile Exchange accumulated \$29.8 (4.55%) during the period at record \$684.3 an ounce, meanwhile the contract touched the highs of \$687 on Friday. May gold at NCDEX added handsome Rs 405 (4.21%) during the week at Rs 10020 per 10 gm, the contract traded in the range of Rs 9552-10026.
- The greenback slipped to one year lows against Euro and seven month low against Yen on some weaker than expected economic data released this week. The currency weakened as market saw slower economic growth and rising inflation, moreover, the concerns that Fed is going to pause the interest rates after another quarter percentage points also hit the greenback. The European currency traded as high as \$1.27625 on Friday before ending the week at 1.27255 up 0.73% as compared to \$1.26325 in the previous week. Dollar slipped 1.085% against Yen during the period from 113.805 Yen to 112.57 Yen; meanwhile it saw the lows of 112.245 Yen.
- Crude oil prices slipped more than 2% during week as U.S. government report eased the concerns over supplies. The crude prices surged initially during the first half of the week as Iran's nuclear issue kept underpinning the prices and then prices eased towards the later half of the week on stronger than expected U.S crude supply data. Crude for June delivery shed 2.35% at \$70.19 per barrel after trading in the range of \$69.94-74.99 during the period.
- Orders for U.S.-made factory goods increased 4.2% in March, thanks to strong demand for airplanes, machinery, electronics and petroleum. Economists were expecting a strong gain of about 3.7% in March.
- U.S. personal incomes and consumer spending rose more than expected in March, while consumer prices jumped to the top of the Federal Reserve's comfort zone. Personal incomes increased 0.5% in March, after rising 0.3% in February, Consumer spending increased 0.6%. Economists expected both incomes and spending to rise 0.4%. Consumer prices rose 0.4% in March after rising 0.1% in February. Core inflation is up 2% in the past one year.
- Job growth slowed in the U.S. economy in April, but wage growth accelerated. Nonfarm payrolls increased by 138,000 in April, less than the 199,000 expected by economists. The unemployment rate remained at 4.7% as expected. However, average hourly earnings increased 9 cents, or 0.5%, to \$16.61. It was the biggest increase since October.
- U.S. construction outlays increased 0.9% in March, helped by brisk activity in building homes, gain was far higher than the 0.4% increase expected.

### PRICES

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

Date	Delhi	London
01 May 2006	20275.00	*****
02 May 2006	20415.00	1392.00
03 May 2006	21197.00	1442.00
04 May 2006	20267.00	1368.00
05 May 2006	20953.00	1407.00
06 May 2006	20797.00	*****

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

Date	Mumbai0	London (am fix)	London (pm fix)
01 May 2006	*****	*****	*****
02 May 2006	9674.00	657.75	661.00
03 May 2006	9894.00	675.25	673.60
04 May 2006	9786.00	664.65	673.50
05 May 2006	9996.00	682.00	678.00
06 May 2006	10022.00	****	****

### Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (May Contract)	COMEX -SILVER (July. Contract)
01 May 2006	20528	1396.50
02 May 2006	20780	1421.00
03 May 2006	20459	1379.50
04 May 2006	20473	1382.50
05 May 2006	20667	1389.00
06 May 2006	20686	*****

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

Date	COMEX -GOLD (June Contract)	NCDEX-GOLD (May Contract)
01 May 2006	660.20	9712
02 May 2006	667.40	9797
03 May 2006	668.50	9785
04 May 2006	676.50	9896
05 May 2006	684.30	9996
06 May 2006	*****	10020

## 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 mixed sentiments in precious metals. The yellow metal kept surging during most part of the week, whereas silver seemed running out of steam while following gold in upward direction. Despite some easing in crude oil prices the yellow metal inched up during the period, as it got support from investment demand and weaker dollar. Though, silver followed gold, the recent vigor was absent in the white metal market.

The crude oil prices remained hot during the earlier part of the week as supply concerns on account of Iran's nuclear issue kept underpinning the metal. But, as the U.S. government report showed healthy supply position in crude and gasoline, the prices came down during later half of the week. But falls were limited by rising geopolitical tensions with key producers Iran and Venezuela. Crude for June delivery shed 2.35% at \$70.19 per barrel after trading in the range of \$69.94-74.99 during the period. In the current situation of geopolitical uncertainties, the crude prices will largely depend upon the situation on this front. The downside potential will be limited by the supply concerns. The US sees the programme as a cover for atomic weapons building. It is meeting Monday with Britain, China, France, Germany and Russia in New York in an attempt to talk out a common strategy to force Iran to halt nuclear fuel work. Although the meeting's participants have not yet threatened sanctions, traders fear unilateral action on the part of the US, such as military.

The buck remained weak throughout the week as data released suggested slowing down in the economic activity which in turn depicted that the Fed would end its tightening policy after May 10 meeting. The weaker economic data suggested 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%. Further, the European Central Bank is expected to continue its rate-tightening campaign in June, with a quarter-point hike widely expected. The European currency traded as high as \$1.27625 on Friday before ending the week at 1.27255 up 0.73% as compared to \$1.26325 in the previous week. Dollar slipped 1.085% against Yen during the period from 113.805 Yen to 112.57 Yen; meanwhile it saw the lows of 112.245 Yen.

Thus, the 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 \$29.8 (4.55%) during the period at record \$684.3 an ounce, meanwhile the contract touched the highs of \$687 on Friday. May gold at NCDEX added handsome Rs 405 (4.21%) during the week at Rs 10020 per 10 gm, the contract traded in the range of Rs 9552-10026. Silver however seemed more sluggish during the week as compared to its leader, gold. The metal traded mostly sideways. It seems that the metal is looking for some reason to fall on, but firmness in the yellow metal is support it at the moment. However, it followed gold sluggishly in the upward direction and reacted sharply to any dip in the yellow metal. Silver for August delivery at NYMEX closed the week with moderate gains of 26 cents (1.9%) at 1389 cents per ounce. Similarly May silver at NCDEX added a good Rs 469 (2.31%) during the period.

The yellow metal still looks bullish but the developments in geopolitical scenario 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. 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 upward after making frequent crossovers in the overbought territory, there is no sing of trend reversal but overbought levels warrants some caution. Close above 9 days and 18 days EMA favors bulls. Overall the indicators are depicting bullish market sentiments.

**Recommendation:** At the moment the gold market is looking positive, however, intermediate dips cannot be

ruled out. Major dips would serve as a good entry points. Remain long with extreme caution or Buy on Major dips.

#### Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX June'06	660.83	652.4	687.4	695.8
NCDEX May'06	9722	9620	10043	10145

Commodity: SILVER

Contract: NCDEX May Contract

Periodicity: Weekly



#### Technical Analysis

MACD has turned flat and slightly bearish in the positive territory. Stochastic is about to make bearish crossover in the overbought region. Close marginally above 9 days and 18 days EMA shows bullish trend is still intact but has weakened. Overall the indicators are depicting slight bullishness in the silver market 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 May'06	20229	19963	21073	21339

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