

PRECIOUS METALS (GOLD & SILVER)

April 24-29, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Silver futures ended the week on a very strong note as most awaited silver ETF get listed at AMEX on Friday. The metal witnessed roller coaster movements earlier during the week. The white metal ended the week with gains at NYMEX and it stumbled at NCDEX during the same period. Silver for August delivery at NYMEX closed the week with good gains of 53.8 cents (4.1%) at 1363 cents per ounce. Whereas May silver at NCDEX shed hefty Rs 891 (4.22%) during the period despite good gains on Friday.
- Gold posted further gains on geopolitical concerns this week as Iran maintained its stand on nuclear issue and statement from UN on Iran's stand kept underpinning the yellow metal. Gold futures at NYMEX bounced back on the last trading day of the week, ending the shaky week with good gains. Gold for June delivery on the New York Mercantile Exchange accumulated \$19 (2.98%) during the period at record \$654.5 an ounce levels after touching the highs of \$658.2 on Friday. May gold at NCDEX added Rs 61 (0.64%) during the week at Rs 9615 per 10 gm, the contract traded in the range of Rs 9241-9700.
- The greenback weakened during the week against its major counterparts as most of the data released this week suggested that the economy is slowing down and Fed is likely to end the tightening policy. The dollar slipped to an 11-month low against the euro and a three-month low against the yen on Friday. The European currency traded as high as \$1.2639 on Friday before ending the week at 1.26325 down 2.38% as compared to \$1.2338 in the previous week. Dollar slipped against Yen during the period from 116.53 Yen to 114.09 Yen; meanwhile it saw the lows of 113.82 Yen.
- Crude oil prices kept falling during the in first half of the week in the absence of any fresh developments in Iran issue. There after the prices recovered some of the initial losses as the Iran issue again heated up after UN statement over the Iran's stand. Crude for June delivery shed 4.37% at \$71.88 per barrel after trading in the range of \$70.49-75.5 during the period.
- The U.S. economy grew at an annual rate of 4.8% during the first quarter, the fastest growth in more than two years; the increase was close to expected growth of 4.9%. Inflation moderated during fourth quarter, core consumer price index retreated to a 2% annual rate from 2.4%, pushing the yearly gain down to 1.9%.
- The employment cost index, eased in the first quarter to a 0.6% increase, down from a 0.8% pace in the last three months of 2005. Economists had been forecasting a 0.9% increase in employment costs in the first quarter.
- New home sales unexpectedly increased by 13.8% in March to a seasonally adjusted annual rate of 1.213 million. It was the highest level of the year.
- Orders for durable goods increased 6.1% in March in U.S. thanks to strong demand for airplanes, machinery and electronics.

PRICES

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

Date	Delhi	London
24 April 2006	19898.00	1278.00
25 April 2006	18953.00	1246.50
26 April 2006	19101.00	1272.00
27 April 2006	18914.00	1252.00
28 April 2006	18988.00	1255.50
29 April 2006	20199.00	*****

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

Date	Mumbai0	London (am fix)	London (pm fix)
24 April 2006	9343.00	634.00	622.50
25 April 2006	9267.00	627.75	634.75
26 April 2006	9334.00	630.75	635.50
27 April 2006	9346.00	636.50	638.00
28 April 2006	9390.00	638.25	644.00
29 April 2006	9614.00	****	****

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (May Contract)	COMEX -SILVER (July. Contract)
24 April 2006	18520.00	1189.20
25 April 2006	19390.00	1268.30
26 April 2006	19888.00	1293.90
27 April 2006	19247.00	1259.00
28 April 2006	20515.00	1363.00
29 April 2006	20217.00	*****

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

Date	COMEX -GOLD (June Contract)	NCDEX-GOLD (May Contract)
24 April 2006	623.90	9256.00
25 April 2006	634.20	9393.00
26 April 2006	642.00	9534.00
27 April 2006	636.30	8429.00
28 April 2006	654.50	9653.00
29 April 2006	*****	9615.00

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

The week saw some roller coaster movements in precious metals. Both the precious metals witnessed sharp correction on Monday and then strong recovery on the very next day. Metals then remained volatile during the most part of the week before finally recovering smartly on the last trading day of the week to close the week with some good gains. On Friday the launch of silver ETF triggered the white metal prices, whereas the yellow metal jumped on concerns over geopolitical uncertainty related to Iran's nuclear issue.

The crude oil prices remained slightly weak during the earlier part of the week in the absence of any fresh inputs on Iran's issue. However, the crude prices then surged on Friday as UN's statement on Iran's stand raised the concerns of supply from the world's second largest exporter of crude. Also, Nigerian situation kept worrying the world. Over the weekend, Iranian President Mahmoud Ahmadinejad reiterated his determination to push ahead with uranium enrichment, defying the U.N.'s demands. At the same time, Nigeria returned to the news over the weekend, with reports of a car bomb attack close to an oil refinery in the oil-rich Delta region. Crude for June delivery shed 4.37% at \$71.88 per barrel after trading in the range of \$70.49-75.5 during the period.

The buck remained weak throughout the week on the interest rate outlook and general economic scenario. 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, European and Japanese central banks are expected to hike the interest rate, which would reduce the interest rate advantage of greenback. Recent news that some central banks (like that of Sweden) diversifying away their reserves

away from dollar and are investing in Euro, also hit the dollar hard. The central bank of Sweden reduced its dollar-based investment by 17%-20%. There were also comments from Middle Eastern central banks last month that they are looking to diversify away their reserves out of U.S. dollar. Meanwhile, the currency markets ignored some strong U.S. economic data. The European currency traded as high as \$1.2639 on Friday before ending the week at 1.26325 down 2.38% as compared to \$1.2338 in the previous week. Dollar slipped against Yen during the period from 116.53 Yen to 114.09 Yen; meanwhile it saw the lows of 113.82 Yen. Thus, the expectations of end to the current tightening policy in the scenario of rising inflation (as revealed by recent CPI data) and huge U.S. deficits are still worrying for the greenback.

Thus, the high crude prices and geopolitical uncertainties alongwith the weakening greenback supported gold to higher levels this week too. The metal showed some volatile movements during the earlier part of the week but then it recovered smartly on the last trading day of the week on concerns over Iran issue as word war between Iran and UN heated up. Gold for June delivery on the New York Mercantile Exchange accumulated \$19 (2.98%) during the period at record \$654.5 an ounce levels after touching the highs of \$658.2 on Friday. May gold at NCDEX added Rs 61 (0.64%) during the week at Rs 9615 per 10 gm, the contract traded in the range of Rs 9241-9700. Silver on the other hand has some other reason to celebrate on as the most awaited silver ETF got listed at AMEX on Friday. The investment community took it as demand booster news and the white metal climbed on the news during the day. The white metal ended the week with gains at NYMEX and it stumbled at NCDEX during the same period. Silver for

August delivery at NYMEX closed the week with good gains of 53.8 cents (4.1%) at 1363 cents per ounce. Whereas May silver at NCDEX shed hefty Rs 891 (4.22%) during the period despite good gains on Friday. Both, the metals are bullish at the moment, but volatility movements are likely at

higher and overbought levels. Some strong 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.

Commodity: GOLD

Contract: COMEX June Contract (GCM06)

Term: Short-term (Weekly)



Technical Analysis:

MACD is surging higher and higher above its signal line in the positive territory, there is no sign of reversal in the trend. Stochastic is moving upward after bullish crossover in the overbought territory, there is no sign 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 caution or Buy on Major dips.

Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX June'06	630.4	621.5	667.2	681.0
NCDEX May'06	9339	9229	9687	9797

Commodity: SILVER

Contract: NCDEX May Contract

Periodicity: Weekly



Technical Analysis

MACD is about to make bullish crossover with its signal line. Stochastic has made bullish crossover and is running upward in the neutral region. Close above 9 days and 18 days EMA shows short term and medium term trend has turned bullish. Overall the indicators are depicting slight bullishness in the silver market.

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

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX May'06	19291	18679	20849	21478

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