

## PRECIOUS METALS (GOLD & SILVER)

April 15-20, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Gold futures tumbled sharply during the week on strong dollar and weaker crude. Gold for June delivery fell to a low of \$651 an ounce on the New York Mercantile Exchange, before closing out the week terribly down \$54.30 or 7.6% at \$657.5 per ounce. Similarly, June gold at NCDEX also shed heavily during the period. The contract shed Rs 821 (7.62%) at Rs 9922 during the period after trading in the range of Rs 9864-10740
- Silver copied the movements in gold during the week and closed with huge losses. The white metal futures for July delivery at NYMEX plunged 187.5 cents (13.17%) at \$12.36 an ounce. The futures traded in the range of \$12.08-14.46 during the period. Similarly, June silver at NCDEX fell like anything during the period. The contract shed 2798 (12.89%) during the period.
- The greenback made first weekly gains in last five weeks against its major counterparts on interest rate hike expectations. The recent comments from Fed, ECB and bank of Japan suggest that the greenback would continue to benefit from the interest rate differentials. The European currency traded as low as \$1.2692 on Friday before ending the week at 1.2776 down 1.16% as compared to \$1.2926 in the previous week. Dollar bounced 1.5% against Yen during the period from 110 Yen to 111.66 Yen; meanwhile it traded in the range of 108.97-112.23 Yen.
- The energy prices also stumbled during the period on good inventory position. Crude for June delivery closed at \$68.53 a barrel on the New York Mercantile Exchange, down 92 cents for the session and down \$3.51 from last Friday's close above \$72. Prices haven't settled at a price this low since April 5.
- The index of leading economic indicators fell 0.1% in April, with three of the 10 indicators improving, the Economists expected a 0.1% gain in April.
- U.S. jobless claims surged by 42,000 to 367,000 in the week ending May 13, fueled by a partial government shutdown in Puerto Rico. In April, nonfarm payrolls rose by 138,000, the slowest job growth in six months.
- High energy and a surge in housing costs pushed U.S. consumer prices up 0.6% in April. The core inflation rose 0.3 percent for the month. The increase in the CPI was the highest since a 0.7% increase in January.
- Construction of new U.S. houses retreated for the third straight month in April, starts fell 7.4% in April to a seasonally adjusted 1.85 million annualized units. It was the largest drop in more than a year.
- The Organization of the Petroleum Exporting Countries lowered its 2006 forecast for growth in world oil by 60,000 barrels to 1.4 million barrels per day. It estimated total world oil demand for 2006 at 84.6 million barrels per day.

### PRICES

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

Date	Delhi	London
15 May 2006	20465	1325.00
16 May 2006	20071	1322.00
17 May 2006	20857	1382.00
18 May 2006	19988	1312.00
19 May 2006	19416	1243.00
20 May 2006	19122	*****

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

Date	Mumbai0	London (am fix)	London (pm fix)
15 May 2006	10327	693.00	687.50
16 May 2006	10202	681.00	692.00
17 May 2006	10544	713.00	699.50
18 May 2006	10246	688.00	693.50
19 May 2006	10138	682.00	651.50
20 May 2006	9819	*****	****

### Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (June Contract)	COMEX -SILVER (July Contract)
15 May 2006	20382	1333.50
16 May 2006	20767	1354.00
17 May 2006	20447	1324.00
18 May 2006	19519	1252.00
19 May 2006	19025	1236.00
20 May 2006	18906	*****

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

Date	COMEX -GOLD (June Contract)	NCDEX-GOLD (June Contract)
15 May 2006	685.5	10396
16 May 2006	692.9	10540
17 May 2006	691.8	10513
18 May 2006	680.9	10302
19 May 2006	657.5	9974
20 May 2006	****	9922

## 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 serious hitting on the precious metals' prices including crash in Asian bourses. Both gold and silver witnessed a sharp correction during the week as strong dollar and cooling crude prices triggered profit booking in these metals. The sell off was broad based and majority of commodities stumbled during the week.

The crude oil prices slipped during the period as the Energy Department's report showed improved and piling gasoline stock position. Further, lower oil demand estimate also had some bearish impact on the prices. Meanwhile, Iran issue seemed slightly easing after Iran agreed to allow inspection of its nuclear setup. Crude for June delivery closed at \$68.53 a barrel on the New York Mercantile Exchange, down 92 cents for the session and down \$3.51 from last Friday's close above \$72. Prices haven't settled at a price this low since April 5. However, the current geopolitical uncertainties, higher expected gasoline demand during the peak-driving season and forthcoming hurricane season would check any severe fall in the crude prices. There is affair chance of some more correction in crude prices in the coming week, but any bad news on supply front would trigger the prices again.

The buck recovered strongly during the week and recorded first weekly gain in last five as currency market traders expected further hike in the interest rates, especially after the higher inflation data. The Fed raised its key interest rate for the sixteenth consecutive time by a quarter percentage points recently and said that further hike will be dependent on the economic situation. Thus after recent inflation data which showed rise in core inflation by 0.3% during April, raised expectations that the Federal Reserve might have to pursue its campaign of interest rate increases without pause through the summer. The greenback also got support from the comments of ECB and Bank of Japan,

which subdued the market expectations of hike in interest rates by the central banks. Thus, the current situation is favoring dollar, as it is likely to enjoy higher interest rate advantage over its counterparts. The European currency traded as low as \$1.2692 on Friday before ending the week at 1.2776 down 1.16% as compared to \$1.2926 in the previous week. Dollar bounced 1.5% against Yen during the period from 110 Yen to 111.66 Yen; meanwhile it traded in the range of 108.97-112.23 Yen.

Thus, weaker dollar, cooling off in crude oil prices and slightly easing geopolitical uncertainties triggered selling of in the precious metals. The overheated metals' market got strong blows during this period. Gold for June delivery fell to a low of \$651 an ounce on the New York Mercantile Exchange, before closing out the week terribly down \$54.30 or 7.6% at \$657.5 per ounce. Similarly, June gold at NCDEX also shed heavily during the period. The contract shed Rs 821 (7.62%) at Rs 9922 during the period after trading in the range of Rs 9864-10740. Silver followed gold sharply in the downward direction during the period. The white metal futures for July delivery at NYMEX plunged 187.5 cents (13.17%) at \$12.36 an ounce. The futures traded in the range of \$12.08-14.46 during the period. Similarly, June silver at NCDEX fell like anything during the period. The contract shed 2798 (12.89%) during the period.

The yellow metal still looks bearish and some more correction is likely, however, 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 follow gold sharply in the downward direction and sluggishly in the upward direction. Any sort of warming up in the energy prices would cause bounce back in 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 and has just entered 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 and some more correction is likely. Oversold levels warrants some caution. Buying support at

lower levels would make the market volatile. Remain short with caution.

#### Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX June'06	649.8	632.95	703.4	720.3
NCDEX June'06	9316	8734	10486	10718

Commodity: SILVER

Contract: NCDEX June Contract

Periodicity: Weekly



#### Technical Analysis

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**Recommendation:** Silver prices are likely to show volatile movements, some more correction is likely. Remain short with caution.

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX June'06	18532	17726	21081	21887

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