

MAJOR ACTIVITY HIGHLIGHTS

- Gold futures showed weakness during the week as a result of double pressure of strong dollar and weaker crude prices. Further, easing geopolitical scene also eased the prices of yellow metal. Gold for October delivery settled marginally sharply down \$34.3 at \$583 an ounce on the New York Mercantile Exchange. The contract traded in the range of \$576.6-619 during the period. Similarly, October gold at NCDEX also closed the week with huge losses at Rs 8907, after trading in the range of Rs 8776-9340.
- Silver slipped following gold during the period on weakness in crude oil prices and strong greenback. The white metal futures for December delivery at NYMEX shed 142 cents (11.54%) at \$10.875 an ounce. The futures traded in the range of 1055-1232 cents per ounce during the period. Similarly, October silver at NCDEX closed at Rs 17096 after giving away Rs 1811 (9.57%). The contract traded in the range of Rs 16630-18625.
- The dollar traded volatile this week as indecision regarding further interest rate hike by Fed kept the market guessing about future direction of the greenback. Euro closed the week at almost no change levels against greenback after dancing in the range of \$1.2629-1.2752. However, dollar strengthened against Yen and traded as high as 118.095 Yen per dollar. The currency closed the week firm at 117.54 Yen against 116.92 Yen levels a week ago.
- The energy prices continued to cool off during the week as comfortable supply position and lack of supply concerns pressured the prices. Lack of fresh inputs in geopolitical scene also lent bearish sentiments in the energy market. Crude for October delivery closed the week with a loss of \$2.92 (4.40%) at \$63.33 per barrel mark. Meanwhile the contract traded in the range of \$62.03-66.50.
- The U.S. current account deficit widened to \$218.4 billion in the second quarter from a revised \$213.2 billion in the Q1. The current account totaled 6.6% of gross domestic product, the same as in the first quarter. It was the second-largest deficit on record, both in nominal terms and in relation to GDP.
- Consumer price inflation moderated in August as gasoline and home ownership costs rose at a slower pace. The consumer price index increased 0.2% in August after a 0.4% gain in July, while prices excluding food and energy rose 0.2% for the second straight month.
- The federal government ran a \$64.6 billion deficit in August, pushing the federal deficit to 304.3 billion for the first 11 months of the fiscal year.

PRICES

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

Date	Delhi	London
11 Sept 2006	18280.60	1176
12 Sept 2006	17800.00	1134
13 Sept 2006	17243.80	1100
14 Sept 2006	17759.40	1135
15 Sept 2006	16853.25	1070
16 Sept 2006	17046.90	*****

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

Date	Mumbai0	London (am fix)	London (pm fix)
11 Sept 2006	9044.30	597.10	588.00
12 Sept 2006	9061.70	596.00	590.70
13 Sept 2006	8884.15	581.50	589.00
14 Sept 2006	8995.60	593.40	584.40
15 Sept 2006	8736.55	578.60	573.60
16 Sept 2006	8776.20	*****	*****

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (Oct Contract)	COMEX -SILVER (Dec Contract)
11 Sept 2006	17527	1124.0
12 Sept 2006	17402	1114.0
13 Sept 2006	17507	1120.0
14 Sept 2006	17163	1095.0
15 Sept 2006	17039	1087.5
16 Sept 2006	17096	*****

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

Date	COMEX -GOLD (Dec Contract)	NCDEX-GOLD (Oct Contract)
11 Sept 2006	597.30	9096
12 Sept 2006	594.30	9051
13 Sept 2006	596.30	9062
14 Sept 2006	586.00	8927
15 Sept 2006	583.00	8880
16 Sept 2006	****	8907

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 precious metals witnessed sharp correction this week as weaker crude and softening economic growth pressured the prices. Dollar also remained volatile during the period on mixed data. The easing geopolitical scenario and bearish energy market hit the yellow metal down during the period.

The crude oil prices fell like anything during the period as supply concerns eased. Further, healthy supply position also added some bearishness in the market. The prices slipped on account of comfortable stock position of crude in the largest economy. Further, the supply concerns are out of the picture at the moment, which also helped pressure, the prices. The hurricane season so far has fortunately not seen any deadly storm to threaten the production in gulf. Crude for October delivery closed the week with a loss of \$2.92 (4.40%) at \$63.33 per barrel mark. Meanwhile the contract traded in the range of \$62.03-66.50. As it is a peak hurricane season, treat to supply is still there, further Iran issue though not in the picture at the moment, has not been solved completely, the threat is only differed. So as long as the situations remains similar, there is not much chances of any strong surge in crude prices.

Dollar traded volatile against Euro and strengthened against Yen during the period. The signs of weakness in the largest economy and tamer than expected inflation in the economy is pressuring the greenback. Fed is expected to keep interest rate pause at the current levels in such a situation, which might weaken the greenback in the coming

week. Euro closed the week at almost no change levels against greenback after dancing in the range of \$1.2629-1.2752. However, dollar strengthened against Yen and traded as high as 118.095 Yen per dollar. The currency closed the week firm at 117.54 Yen against 116.92 Yen levels a week ago.

Thus, the precious metal market saw weakness during the period hammered by weaker crude prices and some strength in the greenback. The white metal took its cue from the other metals and slipped sharply during the period. Gold for October delivery settled marginally sharply down \$34.3 at \$583 an ounce on the New York Mercantile Exchange. The contract traded in the range of \$576.6-619 during the period. Similarly, October gold at NCDEX also closed the week with huge losses at Rs 8907, after trading in the range of Rs 8776-9340. The white metal futures for December delivery at NYMEX shed 142 cents (11.54%) at \$10.875 an ounce. The futures traded in the range of 1055-1232 cents per ounce during the period. Similarly, October silver at NCDEX closed at Rs 17096 after giving away Rs 1811 (9.57%). The contract traded in the range of Rs 16630-18625.

The precious metals market would be keenly eying the currency markets for the direction. Revival of physical demand at lower prices is also likely. Prices are likely to hover in the lower side in the absence of any fresh developments.

Commodity: GOLD

Contract: NCDEX October Contract (NCGLKN6)

Term: Short-term (Weekly)



Technical Analysis

Gold charts continue to show weakness in the market. Momentum studies, Oscillators and EMA pattern are all favoring bears at the moment. However, oversold levels of stochastics warrant some caution on part of bulls.

Recommendation: The prices are likely to see some volatility in search of direction. Remain short with caution.

Support and resistance Levels:

Contract	S1	S2	R1	R 2
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COMEX Dec'06	566.5	551.0	608.0	619.0
NCDEX Oct'06	8659	8456	9222	9357

Commodity: SILVER

Contract: NCDEX October Contract

Periodicity: Weekly



Technical Analysis

Silver charts are also portraying bearish picture of the market like gold. Momentum studies, Oscillators and EMA pattern are all favoring bears at the moment. However, oversold levels of stochastics warrant some caution on part of bulls.

Recommendation: The prices are likely to see some volatility in search of direction. Remain short with caution..

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX Oct'06	16689	16210	18205	18684

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