

MAJOR ACTIVITY HIGHLIGHTS

- Gold futures traded range bound throughout the week as subdued energy market and strong dollar kept the pressure on from both side. Gold for December delivery settled up \$12.4 at \$595.4 an ounce on the New York Mercantile Exchange. The contract traded in the range of \$578.3-598.2 during the period. Similarly, October gold at NCDEX also closed the week with marginal gains of Rs 84 at Rs 8991 per 10 gm after trading in the range of Rs 8771-9021.
- Silver recouped initial losses towards the end of the week following gold. The white metal futures for December delivery at NYMEX added 43.5 cents (4%) at \$11.31 an ounce. The futures traded in the range of 1081.5-1149 cents per ounce during the period. Similarly, October silver at NCDEX closed at Rs 17599 after accumulating Rs 503 (2.94%). The contract traded in the range of Rs 16901-17761.
- The dollar traded mostly weak during the period as Fed kept the interest rates pause at current levels of 5.25%. Further, economic data released during the period suggested that the economy is slowing down, which lent bearish sentiments to the currency markets. Euro closed the week at somewhat stronger levels against the previous week at \$1.2782 after dancing in the range of \$1.2629-1.2829. Dollar also weakened against Yen and traded as low as 118.27 Yen per dollar. The currency closed the week at 116.54 Yen against 117.54 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 \$3.43 (5.3%) at \$60.55 per barrel mark. Meanwhile the contract traded in the range of \$60.19-65.20.
- U.S. producer prices rose by a smaller-than-expected 0.1% in August, the core rate of the producer price index fell 0.4%, the largest drop since April 2003 and the first two-month decline since late 2002.
- The Federal Reserve held overnight interest rates steady at 5.25% but left the door open for further increases if inflation does not behave.
- The index of leading economic indicators fell 0.2% in August for the second straight month

PRICES

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

Date	Delhi	London
18 Sept 2006	17286.15	1097
19 Sept 2006	17226.10	1091
20 Sept 2006	16978.50	1074
21 Sept 2006	17325.00	1102
22 Sept 2006	17655.00	1128
23 Sept 2006	17523.00	****

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

Date	Mumbai0	London (am fix)	London (pm fix)
18 Sept 2006	8856.40	581.50	580.50
19 Sept 2006	8819.90	582.50	583.50
20 Sept 2006	8692.60	576.25	580.25
21 Sept 2006	8774.00	580.50	578.75
22 Sept 2006	8960.15	592.00	589.00
23 Sept 2006	8943.85	****	****

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (Oct Contract)	COMEX -SILVER (Dec Contract)
18 Sept 2006	17601	1129.0
19 Sept 2006	17106	1094.5
20 Sept 2006	17338	1114.0
21 Sept 2006	17422	1124.5
22 Sept 2006	17560	1131.0
23 Sept 2006	17599	*****

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

Date	COMEX -GOLD (Dec Contract)	NCDEX-GOLD (Oct Contract)
18 Sept 2006	592.8	9007
19 Sept 2006	583.2	8846
20 Sept 2006	586.2	8880
21 Sept 2006	588.3	8882
22 Sept 2006	595.4	8970
23 Sept 2006	*****	*****

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 tried to recoup on weakness in the greenback but continued weakness in crude prices contained the gains. Dollar remained on the weaker side throughout the week as tamer than expected inflation and interest rate pause by Fed pressured the currency. The easing geopolitical scenario and healthy supply position continue to cast bearish shadow over the energy markets.

The crude oil prices continued the recent bearish mood this week. The prices have come down sharply from near \$78 to almost \$60 levels in last two months as supply concerns eased and inventory data showed a good stockpile of crude and products. The prices slipped on account of comfortable stock position of crude in the largest economy and easing supply concerns. The hurricane season so far has fortunately not seen any deadly storm to threaten the production in gulf; also Iranian situation has calm down at this juncture. Crude for October delivery closed the week with a loss of \$3.43 (5.3%) at \$60.55 per barrel mark. Meanwhile the contract traded in the range of \$60.19-65.20. As it is a peak hurricane season, threat to supply is still there, further Iran issue though not in the picture at the moment, has not been solved completely, and the threat is only differed. Further, as the prices have come down drastically, OPEC might consider to cut the production, which is currently running at full throttle. So, the downside potential from here on seems small, but at the same time strong upside move is not likely, unless any strong news comes through.

Dollar traded weak against its major counterparts during this week as tame inflation and interest rate pause by Fed pressured the currency. The core rate of the producer price

index fell 0.4% in August, the news faded the chances of interest rate hike by the Fed. The Federal Reserve held overnight interest rates steady at 5.25% but left the door open for further increases. The greenback traded mostly on the weaker side after the news. Further, the economic data released during the period showed that the largest economy is cooling down, which also put pressure on the Buck. Euro closed the week at somewhat stronger levels against the previous week at \$1.2782 after dancing in the range of \$1.2629-1.2829. Dollar also weakened against Yen and traded as low as 118.27 Yen per dollar. The currency closed the week at 116.54 Yen against 117.54 Yen levels a week ago.

Thus, the precious metal market saw some mixed movements during the period on two opposing forces of weaker dollar and weaker crude prices. The metal market tried to recoup on the weaker dollar, but the attempts were contained by weakness in the energy prices. Gold for December delivery settled up \$12.4 at \$595.4 an ounce on the New York Mercantile Exchange. The contract traded in the range of \$578.3-598.2 during the period. Similarly, October gold at NCDEX also closed the week with marginal gains of Rs 84 at Rs 8991 per 10 gm after trading in the range of Rs 8771-9021. The white metal futures for December delivery at NYMEX added 43.5 cents (4%) at \$11.31 an ounce. The futures traded in the range of 1081.5-1149 cents per ounce during the period. Similarly, October silver at NCDEX closed at Rs 17599 after accumulating Rs 503 (2.94%). The contract traded in the range of Rs 16901-17761.

The precious metals market would be keenly eying the currency and energy 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 and EMA pattern are still favoring bears whereas Oscillators are showing some signs of recovery in the neutral region. Overall, the market has no clear direction at the stage.

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
COMEX Dec'06	578.0	571.0	608.0	619.0
NCDEX Oct'06	8672	8581	8986	9077

Commodity: SILVER

Contract: NCDEX October Contract

Periodicity: Weekly



Technical Analysis

Silver charts continue to show weakness in the market. Momentum studies and EMA pattern are still favoring bears whereas Oscillators are showing some signs of recovery in the neutral region. Overall, the market has no clear direction at the stage.

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	17093	16887	17953	18263

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