

MAJOR ACTIVITY HIGHLIGHTS

- Gold futures traded firm during the most part of the week supported by slight firmness in crude prices, but showed tentativeness towards the end at higher levels. Gold for December delivery settled up \$8.8 (1.47%) at \$604.2 an ounce on the New York Mercantile Exchange. The contract traded in the range of \$587.5-612.4 during the period. Similarly, October gold at NCDEX also closed the week with marginal gains of Rs 23 at Rs 9014 per 10 gm after trading in the range of Rs 8864-9150.
- Silver also traded mostly firm during the initial part of the period on the back of strong gold. The white metal futures for December delivery at NYMEX added 23 cents (2%) at \$11.54 an ounce. The futures traded in the range of 1113-1186 cents per ounce during the period. Similarly, October silver at NCDEX closed higher at Rs 17869 after accumulating Rs 270 (1.53%). The contract traded in the range of Rs 17337-18219.
- The greenback strengthened during the period against major counterparts despite market expectations of rate cut by Fed by December. Higher than expected inflation figures supported the currency. Euro shed 0.9% during the week against the previous week at \$1.26715 after dancing in the range of \$1.26375-1.2818. Dollar also strengthened against Yen and traded as high as 118.17 Yen per dollar. The currency closed the week at 118.15 Yen with a gain of 1.4%.
- The energy prices bounced slightly during the period on concerns over production cut by OPEC. Crude for November delivery closed the week with a gain of \$2.36 (3.9%) at \$62.91 per barrel mark. Meanwhile the contract traded in the range of \$59.52-64.0 a barrel.
- U.S. core consumer price inflation hit an 11-year high in August. Consumer prices rose 0.2% in August, and are up 3.2% in the past year. Core consumer prices, also rose 0.2%. The core personal consumption expenditure price index has gained 2.5% in the past 12 months.
- U.S. consumer sentiment strengthened in late September; the UMich consumer sentiment index rose to 85.4 in late September from 84.4 earlier in the month. This is the highest sentiment level since April.
- Second-quarter U.S. growth increased at a 2.6% rate, slightly lower than previous estimates of a 2.9% growth rate. Economists expect growth to slow to a 2.9% rate in the third quarter.

PRICES

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

Date	Delhi	London
25 Sept 2006	17430.20	1105
26 Sept 2006	17489.00	1111
27 Sept 2006	18055.45	1158
28 Sept 2006	18143.85	1166
29 Sept 2006	18103.10	1155
30 Sept 2006	17968.50	*****

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

Date	Mumbai0	London (am fix)	London (pm fix)
25 Sept 2006	8914.15	589.5	584.75
26 Sept 2006	8927.30	591.25	591
27 Sept 2006	8991.05	595.1	593.75
28 Sept 2006	9094.55	603.5	603
29 Sept 2006	9094.55	601.75	599.25
30 Sept 2006	9060.30	*****	*****

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (Oct Contract)	COMEX -SILVER (Dec Contract)
25 Sept 2006	17577	1132.5
26 Sept 2006	17723	1149.5
27 Sept 2006	18009	1170.0
28 Sept 2006	18103	1173.0
29 Sept 2006	17897	1154.0
30 Sept 2006	17869	*****

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

Date	COMEX -GOLD (Dec Contract)	NCDEX-GOLD (Oct Contract)
25 Sept 2006	595.9	8965
26 Sept 2006	597.1	8977
27 Sept 2006	603.3	9056
28 Sept 2006	610.9	9131
29 Sept 2006	604.2	9043
30 Sept 2006	****	9014

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 encashed the slight bounce in crude oil prices during the period, the metals ignored the strength in dollar. Crude oil prices showed slight bounce during the week on concerns over the production cut by OPEC and re-ignition of Iran issue. Dollar traded throughout the period on the interest rate advantage of the currency over its major counterparts.

The crude oil prices saw some recovery this week on concerns over production cut by OPEC. Iran issue again came into play after US warned possibility of sanctions against the country. Iran and the EU failed to reach agreement in talks on Tehran's disputed nuclear program, prompting the US to warn that the possibility of sanctions against Iran was getting closer. Crude for November delivery closed the week with a gain of \$2.36 (3.9%) at \$62.91 per barrel mark. Meanwhile the contract traded in the range of \$59.52-64.0 a barrel. Ample supply position of the commodity hammered the prices recently below \$60 mark. However, OPEC is feared to cut production to support the prices if it falls sharply. Such expectations supported the prices at lower levels. But, the supply condition is comfortable and the forthcoming winter season is likely to have cushion of the same. If the season sees no major halt in production, prices are likely to remain under pressure. In such a scenario, only production cut by members of OPEC could support the prices from falling sharply.

Dollar traded strong against its major counterparts during this week as higher than expected inflation figures induced the market expectation that fed might not resort to interest rate cuts in near future. The greenback also benefited by

the own weakness of other major currencies. Yen remained under pressure against dollar as the interest rate differential between the currencies still working in favor of later. Traders resorted to finance dollar through borrowing cheaper Yen, weakening the Japanese currency. Euro shed 0.9% during the week against the previous week at \$1.26715 after dancing in the range of \$1.26375-1.2818. Dollar also strengthened against Yen and traded as high as 118.17 Yen per dollar. The currency closed the week at 118.15 Yen with a gain of 1.4%.

Hence, the precious metals market was mainly focusing on the resurging energy prices and ignored the strength in the greenback during the week. Rekindling physical markets for these metals also lend some strength to the prices. Gold for December delivery settled up \$8.8 (1.47%) at \$604.2 an ounce on the New York Mercantile Exchange. The contract traded in the range of \$587.5-612.4 during the period. Similarly, October gold at NCDEX also closed the week with marginal gains of Rs 23 at Rs 9014 per 10 gm after trading in the range of Rs 8864-9150. Similarly, the white metal futures for December delivery at NYMEX added 23 cents (2%) at \$11.54 an ounce. The futures traded in the range of 1113-1186 cents per ounce during the period. Similarly, October silver at NCDEX closed higher at Rs 17869 after accumulating Rs 270 (1.53%). The contract traded in the range of Rs 17337-18219.

The precious metals market would need support of the energy market, as other fundamental factors like geopolitical scenario and safe heaven demand for the metals seem not supportive at the moment. If, the energy prices cools off further, correction in the precious metals

can be seen, as the currency market looks trading range

bound these days.

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, though bearish momentum has decreased a bit. Stochastics are on the verge of giving bearish signal in the overbought zone. Overall, the market has still some bearish bias 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	586.9	576.0	610.8	616.8
NCDEX Oct'06	8833	8730	9119	9187

Commodity: SILVER

Contract: NCDEX October Contract

Periodicity: Weekly



Technical Analysis

Silver charts are showing slight improvement with prices closed above 9-day and 18-day EMA. MACD is also showing some decrease in bearish momentum. However, stochastics are on the verge of giving bearish signal in the overbought zone. Prices may show volatility with slight bearish bias.

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	17263	16945	18145	18357

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