

## MAJOR ACTIVITY HIGHLIGHTS

- Gold futures traded volatile during the earlier part of the week, but recovered towards the end backed by firmness in crude oil prices. Geopolitical scene also kept supporting the metal during the period. Gold for December delivery on the New York Mercantile Exchange settled up \$9.9 (1.57%) at \$602.5 Thursday as firmness in crude oil prices came back. The contract traded as low as \$589 prior to this session. Similarly, November gold at NCDEX also bounce on bullish suggestions from international markets Thursday as closed the session with a good gain of Rs 92 at Rs 8882, meanwhile the contract saw the highs of Rs 8895 per 10 gm.
- Silver market also encashed the firmness in yellow metal and the prices bounced sharply on Thursday. The white metal futures for December delivery at NYMEX added 34 cents (2.8%) at \$12.16 an ounce during the Thursday's session. Earlier in the week the contract saw the lows of \$11.63 per ounce. Similarly, November silver at NCDEX closed up Rs 242 at Rs 18258 Thursday against Rs 18060 last Friday. The contract traded in the range of Rs 17810-18286.
- The greenback traded range bound with slightly bullish inclination during the earlier part of the week and then slipped sharply against major counterparts on Thursday as leading indicators index showed weakness in economic growth. The currency got hammered on expectation that Fed might cut interest rate to boost the slowing economy. Euro traded as high as \$1.2641 Thursday against \$1.2512 last Friday, earlier in the week the European currency saw the lows of \$1.2489. Dollar also weakened against Yen and traded as low as 118.04 Yen per dollar on Thursday.
- The energy prices at NYMEX remained subdued during most part of the period pressured by the ample supply position with the largest economy, however it recovered towards the end after OPEC agrees to cut production by 1.2 million bpd. Crude for December delivery traded as low as \$59.03 during the period. The prices finally managed to close above \$60 mark after OPEC decision
- U.S. consumer prices declined in September as energy prices eased, while core inflation increases at the fastest pace in 10 years. The CPI decreased 0.5% last month, the core rate of inflation increased 0.2% for the third straight month.
- Wholesale prices plunged 1.3% in September as the price of energy goods slipped and the core producer price index, which excludes food and energy costs, rose a surprising 0.6%, the most since January 2005.
- New construction of homes in U.S. unexpectedly increased 5.9% in September to a seasonally adjusted annual rate of 1.772 million; however, starts are down 18% in the past year. Building permits, meanwhile, fell 6.3% to a five-year low of 1.619 million annualized. Housing sector seems slowing according to permits data.
- The U.S. industrial sector slowed sharply in September; industrial production dropped 0.6% last month, the biggest decline since the previous September.

## PRICES

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

Date	Delhi	London
16 Oct 2006	17919.00	1172.00
17 Oct 2006	18043.30	1185.00
18 Oct 2006	17925.60	1176.00
19 Oct 2006	17767.55	1162.00

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

Date	Mumbai0	London (am fix)	London (pm fix)
16 Oct 2006	8827.55	593.00	595.10
17 Oct 2006	8881.85	594.90	590.00
18 Oct 2006	8795.60	595.25	594.00
19 Oct 2006	8751.20	589.75	597.25

## Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (Nov Contract)	COMEX -SILVER (Dec Contract)
16 Oct 2006	18233.00	1191.0
17 Oct 2006	17935.00	1178.0
18 Oct 2006	18012.00	1182.0
19 Oct 2006	18258.00	1216.00

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

Date	COMEX -GOLD (Dec Contract)	NCDEX-GOLD (Nov Contract)
16 Oct 2006	598.50	8911.00
17 Oct 2006	593.50	8800.00
18 Oct 2006	592.60	8790.00
19 Oct 2006	602.50	8882.00

## 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 shone towards the end of the week on the back of firmness in crude oil prices and weakness in the greenback. Geopolitical concerns also provided underneath support to the metal during the period. The prices remained volatile on the start of the week on weakness in crude oil prices and strength in dollar, but then sharp recovery was seen on Thursday. Crude oil prices remained on the softer side during the most part of the period, thanks to the good supply position with the largest economy, but prices got wings to fly on after OPEC decided to cut production. Dollar traded range bound during the early part of the period but slipped sharply on Thursday, thanks to the slowing economic growth in U.S. as depicted by leading indicators.

The crude oil prices saw some range bound movements earlier in the week in the absence of clear guiding force. The market kept iterating the chance of production cuts by OPEC and its possible impact. However, as OPEC decided to cut the crude oil production by 1.2 million barrels per day, the prices shoot up on Thursday. The global supply is already in a limited spare capacity and this decision of OPEC to cut production is definitely going to support the prices at higher levels. Though the peak hurricane season this year didn't witness any deadly hurricane like last year's Katrina and Rita, the forth-coming winter season demand might also give underlying support to the prices. Thus we are not expecting the prices to fall remarkably despite good stock position with the largest economy. Last week Saudi Arabia's petroleum giant, Saudi Aramco assured Asian and European markets of maintaining supplies during November. Also, the non-OPEC suppliers are expected to

capture greater market share. Thus, this will contain the gains in the prices on account of OPEC's production cut. Crude for December delivery traded as low as \$59.03 during the period. The prices finally managed to close above \$60 mark after OPEC decision.

Dollar weakened against its major counterparts Thursday after the leading indicators index showed slowing down in the largest economy. The leading economic indicators rose 0.1%, which was lower than expected 0.3%. The index has dropped in last five months and is down 0.9% in past six months. As the indicators are showing signs of slowing down in the largest economy, the chances of interest rate hike by the Fed have lowered. This hammered the buck hard on Thursday and it slipped sharply against major counterparts. Euro traded as high as \$1.2641 Thursday against \$1.2512 last Friday, earlier in the week the European currency saw the lows of \$1.2489. Dollar also weakened against Yen and traded as low as 118.04 Yen per dollar on Thursday.

Hence, the gains in crude oil prices and weakness in greenback underpinned the precious metals towards the end of this week. The concerns of second nuclear test by North Korea also gave underlying support to the metal during the period. Gold for December delivery on the New York Mercantile Exchange settled up \$9.9 (1.57%) at \$602.5 Thursday as firmness in crude oil prices came back. The contract traded as low as \$589 prior to this session. Similarly, November gold at NCDEX also bounce on bullish suggestions from international markets Thursday as closed the session with a good gain of Rs 92 at Rs 8882,

meanwhile the contract saw the highs of Rs 8895 per 10 gm. Similarly, silver also followed the movements on gold. The white metal futures for December delivery at NYMEX added 34 cents (2.8%) at \$12.16 an ounce during the Thursday's session. Earlier in the week the contract saw the lows of \$11.63 per ounce. Similarly, November silver at NCDEX closed up Rs 242 at Rs 18258 Thursday against Rs 18060 last Friday. The contract traded in the range of Rs 17810-18286.

The precious metals market is likely to get some support from the firmness in crude oil prices if continues and might also encash the weakness in the greenback. Further, geopolitical scene (North Korea) may also provide some support to the metal. However, the trend in the metal has still not turned bullish and one should see if sustains the levels above \$600 per ounce.

**Commodity: GOLD**

**Contract: NCDEX November Contract (NCGLKX6)**

**Term: Short-term (Weekly)**



#### Technical Analysis

Gold futures recovered smartly yesterday and prices closed above 9-day and 18-day EMA, which shows bullishness in medium term. However Stochastics have turned negative in the neutral region. MACD is still showing decreasing bearish momentum. Gold is likely to trade volatile with bullish bias.

**Recommendation:** The prices are likely to see positive movements. Go for long positions on dips.

#### Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX Dec'06	583.5	578.0	613.5	623.0
NCDEX Nov'06	8732	8668	9139	9216

Commodity: SILVER

Contract: NCDEX November Contract

Periodicity: Weekly



#### Technical Analysis

Silver futures bounced back Thursday and prices closed well above the 9-day and 18-day EMAs. Stochastics however have turned negative in overbought zone. MACD is positive showing increasing bullish momentum. Prices are most likely to remain volatile with bullish bias.

**Recommendation:** Go for long positions on dips.

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX Nov'06	17923	17385	19021	19259

#### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.