

## MAJOR ACTIVITY HIGHLIGHTS

- Gold futures recovered after some initial hesitation, thanks to the renewed geopolitical concerns and physical demand, however weakness in crude prices put a cap on the gains. Gold for December delivery settled up \$15.9 (2.75%) at \$592.7 an ounce on the New York Mercantile Exchange. The contract traded in the range of \$ 573.0-594.2 during the period. Similarly, November gold at NCDEX also closed the week with a gain of Rs 165 (1.9%) at Rs 8863 per 10 gm after trading in the range of Rs 8640-8870.
- Silver also climbed higher towards the end of the week on firmness in gold prices and physical demand for the metal. The white metal futures for December delivery at NYMEX added 50.5 cents (4.5%) at \$11.68 an ounce. The futures traded in the range of 1113-1172.5 cents per ounce during the period. Similarly, November silver at NCDEX closed higher at Rs 18060 against Rs 17480 a week ago. The contract traded in the range of Rs 17391-18080.
- The greenback weakened towards the end of the week after trade deficit data for August showed record high levels, though it still managed to close the week with small gains against major counterparts. Euro shed marginally against greenback and closed the week at \$1.2512 levels against \$1.2599 a week ago, meanwhile the currency traded in the range of \$1.2482-1.2613. Dollar also strengthened against Yen and traded as high as 119.86 Yen per dollar. The currency closed the week at 119.61 Yen with a gain of 0.5%.
- The energy prices at NYMEX remained subdued pressured by the ample supply position with the largest economy and doubts about the production cuts by OPEC. Crude for December delivery closed the week with a moderate loss of \$0.87 per barrel at \$60.30 per barrel mark. Meanwhile the contract traded in the range of \$59.02-62.75 a barrel.
- U.S. consumer sentiment rose in October, touching its highest level since July 2005. The consumer sentiment index rose more than expected, climbing to 92.3 in October from 85.4 in September.
- Led by a record 9.3% drop in gasoline sales in September, U.S. retail sales fell 0.4% in nominal terms. Similarly, led by a drop in the cost of imported oil, the prices of goods imported into the U.S. fell 2.1% in September, the first drop since March and the biggest since April 2003.
- The U.S. trade deficit of goods and services set a new record high in August, driven by a record price of crude oil. The economy's trade deficit widened 2.7% to \$69.9 billion from the previous record of \$68.0 billion in July.

## PRICES

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

Date	Delhi	London
09 Oct 2006	17608.05	1133.5
10 Oct 2006	17604.90	1121.0
11 Oct 2006	17322.45	1114.0
12 Oct 2006	17476.80	1130.0
13 Oct 2006	17523.00	1140.0
14 Oct 2006	17919.00	****

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

Date	Mumbai0	London (am fix)	London (pm fix)
09 Oct 2006	8695.10	578.25	575.25
10 Oct 2006	8662.90	577.25	571.40
11 Oct 2006	8592.10	574.00	574.10
12 Oct 2006	8599.65	575.90	573.00
13 Oct 2006	8642.35	577.90	586.10
14 Oct 2006	8785.20		

## Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (Nov Contract)	COMEX -SILVER (Dec Contract)
09 Oct 2006	17806.00	1142.00
10 Oct 2006	17535.00	1122.00
11 Oct 2006	17619.00	1133.00
12 Oct 2006	17639.00	1138.00
13 Oct 2006	17915.00	1168.00
14 Oct 2006	18065.00	*****

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

Date	COMEX -GOLD (Dec Contract)	NCDEX-GOLD (Nov Contract)
09 Oct 2006	582.8	8771.00
10 Oct 2006	576.2	8680.00
11 Oct 2006	576.5	8663.00
12 Oct 2006	580.3	8695.00
13 Oct 2006	592.7	8816.00
14 Oct 2006	****	8863.00

## 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 some good physical demand and geopolitical concerns. The prices slipped on the start of the week on weakness in crude oil prices and strength in dollar, but then steady recovery was seen during rest of the period. Crude oil prices remained on the softer side during the period, thanks to the good supply position with the largest economy and doubts about production cuts by OPEC. Dollar shed the earlier gains towards the end of the week, as trade deficit for the largest economy widened in a big way.

The crude oil prices saw some range bound movements during the week in the absence of clear guiding force. The market kept iterating the chance of production cuts by OPEC and its possible impact. OPEC is expected to cut production by 1 million bpd. The impact of production cuts by OPEC seemed ineffective, as Saudi Arabia is likely to keep its supply intact. 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 in case of production cuts by OPEC. The forthcoming winter season might boost the demand, which supported the prices from falling sharply. Absence of any major threat to supply side except the OPEC side, also kept pressuring the prices during the period. A huge stockpile with U.S is also one of the reasons for the easier crude prices. Crude for December delivery closed the week with a moderate loss of \$0.87 per barrel at \$60.30 per barrel mark. Meanwhile the contract traded in the range of \$59.02-62.75 a barrel. the range of \$57.75-62.32 a barrel.

Dollar weakened against its major counterparts after the largest economy's trade deficit showed huge gap to the tune of \$70 billion in August, however, the currency bounced back Friday after government reports showed U.S. retail sales for September, adjusted to exclude autos and gasoline, posted their strongest gain since January, while consumer sentiment rose to a 15-month high in October. Overall the week ended with some marginal gains in buck. The Fed seems waiting to see the impact of 17 consecutive hike in interest rate to 5.25% levels. If it finds the economy is slowing down, it might cut the interest rates to boost the economic growth. However, it will keep an eye on inflation while doing so. Inflation pressure is likely to ease to some extent with falling crude oil prices. This increases the chances of rate cuts by the Fed. Market is also iterating the odds of the same. Euro remained weak against the buck during the period. Euro shed marginally against greenback and closed the week at \$1.2512 levels against \$1.2599 a week ago, meanwhile the currency traded in the range of \$1.2482-1.2613. Dollar also strengthened against Yen and traded as high as 119.86 Yen per dollar. The currency closed the week at 119.61 Yen with a gain of 0.5%.

Hence, the gains in precious metals market were capped by weakness in crude oil prices and strength in dollar. The metals gained mainly on the concerns of sanctions against North Korea, after its recent nuclear test, Investors are resorting to safe haven buying in gold. Further, the precious metals are also getting support from the physical buying at the moment. Gold for December delivery settled up \$15.9 (2.75%) at \$592.7 an ounce on the New York Mercantile Exchange. The contract traded in the range of \$ 573.0-594.2 during the period. Similarly, November gold at NCDEX also closed the week with a gain of Rs 165 (1.9%)

at Rs 8863 per 10 gm after trading in the range of Rs 8640-8870. Similarly, silver climbed higher during the week supported by firmness in gold. The white metal futures for December delivery at NYMEX added 50.5 cents (4.5%) at \$11.68 an ounce. The futures traded in the range of 1113-1172.5 cents per ounce during the period. Similarly, November silver at NCDEX closed higher at Rs 18065

against Rs 17498 a week ago. The contract traded in the range of Rs 17391-17950.

The precious metals market is likely to get some support from the heating geopolitical scene with North Korea remaining the hinge pin. The energy prices are likely to remain volatile in the absence of clear sentiments.

**Commodity: GOLD**

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

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



### Technical Analysis

Gold recovered towards the end of the week. Stochastics are supporting bulls, whereas, MACD is also showing decreasing bearish momentum. EMA pattern are also showing firmness in the prices to remain intact in medium term. Prices are likely to remain on the positive movements.

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

### Support and resistance Levels:

Contract	S1	S2	R1	R2
COMEX Dec'06	578.5	573.4	607.0	621.4
NCDEX Nov'06	8695	8637	9163	9214

Commodity: SILVER

Contract: NCDEX November Contract

Periodicity: Weekly



#### Technical Analysis

Silver recovered slightly towards the end of the week. Stochastics are supporting bulls, whereas, MACD is about to enter in the positive zone. EMA pattern are also showing firmness in the prices to remain intact in medium term. Prices are likely to remain on the positive movements.

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

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX Nov'06	17581	17416	18532	18985

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