

MAJOR ACTIVITY HIGHLIGHTS

- Gold futures recouped some of the initial losses towards the end of the week, however weakness in crude prices and strength in dollar left the yellow metal net loser during the period. Gold for December delivery settled down \$27.4 (4.5%) at \$576.8 an ounce on the New York Mercantile Exchange. The contract traded in the range of \$563.5-609.2 during the period. Similarly, November gold at NCDEX also closed the week with loss of Rs 441 at Rs 9139 per 10 gm after trading in the range of Rs 8558-9134.
- Silver also bounced towards the end of the week, but remained net loser for the period. The white metal futures for December delivery at NYMEX added 37 cents (1.03%) at \$11.17 an ounce. The futures traded in the range of 1065-1183.5 cents per ounce during the period. Similarly, November silver at NCDEX closed lower at Rs 17498 after shedding Rs 583 (3.2%). The contract traded in the range of Rs 16920-18170.
- The greenback strengthened during the period against major counterparts as the market the chances of interest rate cut this year seemed remote possibility especially in the wake of rising inflation. Euro shed 1.07% during the week against the previous week at \$1.25985 after dancing in the range of \$1.2571-1.2764. Dollar also strengthened against Yen and traded as high as 119.09 Yen per dollar. The currency closed the week at 118.99 Yen with a gain of 0.7%.
- The energy prices at NYMEX slipped again reversing the earlier week's gains as market iterated the chances of production cuts by OPEC. Crude for November delivery closed the week with a loss of more than 5% at \$59.76 per barrel mark. Meanwhile the contract traded in the range of \$57.75-62.32 a barrel.
- U.S. nonfarm payrolls rose by an estimated 51,000 in September, increase was lower than expected 123000.
- Nonmanufacturing sectors of the largest economy grew at a slower pace during September; the ISM nonmanufacturing index fell to 52.9% from 57.0% in August.
- Factory activity in the U.S. slowed in September; the ISM index fell to 52.9% in September from 54.5% in August. This is the lowest level since May 2005.
- 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
02 Oct 2006	****	1158.0
03 Oct 2006	17763.60	1134.0
04 Oct 2006	17055.50	1082.5
05 Oct 2006	17087.40	1096.0
06 Oct 2006	17247.75	1101.0
07 Oct 2006	17278.45	*****

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

Date	Mumbai0	London (am fix)	London (pm fix)
02 Oct 2006	****	602.00	600.60
03 Oct 2006	8943.85	593.00	582.25
04 Oct 2006	8694.30	578.50	573.60
05 Oct 2006	8613.05	568.25	573.30
06 Oct 2006	8576.50	570.60	560.75
07 Oct 2006	8628.45	*****	****

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (Nov Contract)	COMEX -SILVER (Dec Contract)
02 Oct 2006	*****	1164.0
03 Oct 2006	17405	1104.5
04 Oct 2006	17137	1179.5
05 Oct 2006	17434	1107.0
06 Oct 2006	17536	1117.5
07 Oct 2006	17498	*****

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

Date	COMEX -GOLD (Dec Contract)	NCDEX-GOLD (Nov Contract)
02 Oct 2006	603.3	****
03 Oct 2006	581.5	8831
04 Oct 2006	566.7	8641
05 Oct 2006	575.5	8713
06 Oct 2006	576.8	8692
07 Oct 2006	583.0	8698

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 showed some bounce back towards the end of the week, however remained net loser during the period. The prices plunged during the earlier part of the week on weakness in crude oil prices and strength in dollar. Crude oil prices eased further during the period as market iterated the chances of production cuts by OPEC and its impact on the prices. Dollar traded strong during most part of the period on the interest rate advantage of the currency over its major counterparts.

The crude oil prices saw some roller coaster movements during midweek on conflicting news regarding production cut by OPEC. On Thursday, the prices bounced sharply on the news of production cut of 1 million bpd by OPEC, but prices again slipped after some OPEC members negated the final decision on the issue. Further, military action on Nigerian oil militants also eased some pressure on the prices. Crude for November delivery closed the week with a loss of more than 5% at \$59.76 per barrel mark. Meanwhile the contract traded in the range of \$57.75-62.32 a barrel. A huge stockpile with U.S is also one of the reasons for the easier crude prices.

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 currency was pressured by the nuclear test by North Korea and interest

rate disadvantage of the currency against dollar. Euro remained weak against the buck after ECB chairman's statement faded the chances of interest rate hike in November. Euro shed 1.07% during the week against the previous week at \$1.25985 after dancing in the range of \$1.2571-1.2764. Dollar also strengthened against Yen and traded as high as 119.09 Yen per dollar. The currency closed the week at 118.99 Yen with a gain of 0.7%.

Hence, the precious metals market was under pressure on account of weaker crude prices and stronger dollar during the period. Some weaker economic data towards the end of the week however, checked the gains in greenback, which supported the precious metals. Further talks of North Korean nuclear test also lend some bullish sentiments to the market. Gold for December delivery settled down \$27.4 (4.5%) at \$576.8 an ounce on the New York Mercantile Exchange. The contract traded in the range of \$563.5-609.2 during the period. Similarly, November gold at NCDEX also closed the week with loss of Rs 441 at Rs 9139 per 10 gm after trading in the range of Rs 8558-9134. Similarly, the white metal futures for December delivery at NYMEX added 37 cents (1.03%) at \$11.17 an ounce. The futures traded in the range of 1065-1183.5 cents per ounce during the period. Similarly, November silver at NCDEX closed lower at Rs 17498 after shedding Rs 583 (3.2%). The contract traded in the range of Rs 16920-18170.

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 charts are showing tentativeness in the prices at lower levels. Candlesticks have formed a doji pattern, which hints for indecision and possible reversal in the trend. Stochastics are also about to give bullish signal. EMA pattern and momentum studies are however still in favor of bears. Gold is likely to trade volatile with bullish bias.

Recommendation: The prices are likely to see some volatility in search of direction. Sell on rallies towards resistance levels.

Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX Dec'06	557.1	537.4	602.8	628.6
NCDEX Nov'06	8221	8460	9863	9059

Commodity: SILVER

Contract: NCDEX November Contract

Periodicity: Weekly



Technical Analysis

Silver recovered slightly towards the end of the week. Stochastics are about to give bullish signal in the neutral region and momentum studies are also showing decrease in bearish momentum. Prices are likely to see some initial recovery.

Recommendation: The prices are likely to see some volatility in search of direction. Go short on rallies towards the resistance levels.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX Nov'06	17138	16912	18040	18279

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