

## MAJOR ACTIVITY HIGHLIGHTS

- Gold futures for April delivery on the New York Mercantile Exchange added \$6.8 at \$653.8 an ounce after trading as high as \$656.50 on Friday as weakness in greenback induced traders to buy gold. The futures managed to bag marginal gains of \$1.90 for the week. MCX April gold closed at Rs.9384 on Saturday against Rs 9383 last week.
- Silver futures for May delivery also climbed 14 cents to close at \$13.215 an ounce accumulating weekly gains of 1.9%. Silver market however shed all the initial gains during the week to close the week at almost no change levels. Similarly, on MCX, silver May contract close at Rs.19, 517 on Saturday against Rs 19333 previous.
- The greenback remained weak during the week on the back of some poor economic data. Euro traded strong against dollar during the week in the range of \$1.3106-1.3339. Against this, the greenback slipped sharply against Yen as traders unwinded carry trade in Yen. Dollar traded mostly volatile against Yen in the range of 115.75-118.48.
- Energy markets witnessed sharp correction as worries about the economy and its impact on energy demand kept hammering the prices throughout the week, while the market overlooked the geopolitical concerns in Iran. Crude for April delivery shed 44 cents to close the last trading session of the week at \$57.11 a barrel on the NYMEX. The contract shed almost 5% during the week after trading in the range of \$56.17-59.96 per barrel. MCX crude futures for April delivery settled at Rs.2, 653 per barrel, down Rs.10 on Friday.
- Headline reading on consumer prices for February is up 0.4% for February, slightly higher than anticipated, core CPI rose 0.2% as per expectation.
- Wholesale-level inflation grew much more than expected in February, fueling fresh doubts about interest rates and the Federal Reserve. Wholesale food and energy prices surged in February, pushing up the producer price index by an unexpected 1.3%.
- The New York Fed's Empire State index fell sharply to 1.9 in March from 24.4 in February, putting the index at its lowest level since May 2005
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## PRICES

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

Date	Delhi	London
12 March 2007	19298.80	1297
13 March 2007	19258.85	1292
14 March 2007	18897.60	1265
15 March 2007	19199.65	1290
16 March 2007	19315.90	1307
17 March 2007	19354.50	****

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

Date	Mumbai	London (am fix)	London (pm fix)
12 March 2007	9375.40	652.5	647.75
13 March 2007	9343.35	650.5	650.8
14 March 2007	9235.40	640.75	643.25
15 March 2007	9288.75	646.1	648.5
16 March 2007	9340.00	650.65	653.2
17 March 2007	9374.10	****	****

## Silver Futures

(COMEX-Cents/Ounce; NCDEX- Rs/Kg)

Date	MCX -SILVER (MAY Contract)	COMEX -SILVER (MAY Contract)
12 March 2007	1945200	1308.5
13 March 2007	19266.00	1296.0
14 March 2007	19120.00	1283.0
15 March 2007	19407.00	1307.5
16 March 2007	19520.00	1321.5
17 March 2007	19517.00	****

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

Date	MCX -GOLD (April Contract)	COMEX-GOLD (April Contract)
12 March 2007		9372
13 March 2007		9327
14 March 2007		9251
15 March 2007		9315
16 March 2007		9379
17 March 2007		9384

## 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
<b>Demand (Tonnes)</b>									
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
<b>Demand (\$ m)</b>									
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

Revived inflationary concerns and uncertainty surrounding the U.S. economy led dollar weakness bring back some shine to gold late this week. The gold market remained under pressure initially on worries over U.S. subprime mortgage market and weak energy prices after hitting hard by recent turmoil in equity markets. However, the bullion market shifted its focus towards falling US dollar and recent increased inflationary readings to get back some strength late this week.

Energy markets witnessed sharp correction as worries about the economy and its impact on energy demand kept hammering the prices throughout the week, while the market overlooked the geopolitical concerns in Iran. OPEC decision as per market expectation to stick to already agreed-on output levels added some bearishness in the energy market. According to the IEA estimates OPEC has cut only 1 mbpd of output against decided 1.7 mbpd cut. So, if the members stick to their decided output levels of 25.8 mbpd, it will still take 700,000 bpd off the world market; a positive news for the bulls. Further, IEA recent warning that OECD stocks might be heading for their biggest fall in more than 10 years also bodes well for the market. Meanwhile, Iran declared to continue with nuclear research, defying UN demands to stop enriching uranium which is concerning from the supply point of view. Recently, diplomats announced a new package of sanctions against Tehran, including an arms embargo and economic penalties. So, the crude oil market is likely to remain on the softer side on concerns of economic slowdown, however it

might find some support from Iran's nuclear issue. Crude for April delivery shed 44 cents to close the last trading session of the week at \$57.11 a barrel on the NYMEX. The contract shed almost 5% during the week after trading in the range of \$56.17-59.96 per barrel. MCX crude futures for April delivery settled at Rs.2, 653 per barrel, down Rs.10 on Friday.

Gold futures for April delivery on the New York Mercantile Exchange added \$6.8 at \$653.8 an ounce after trading as high as \$656.50 on Friday as weakness in greenback induced traders to buy gold. The futures managed to bag marginal gains of \$1.90 for the week. Silver futures for May delivery also climbed 14 cents to close at \$13.215 an ounce accumulating weekly gains of 1.9%. MCX April gold closed at Rs.9379 per 10gm, while silver May contract at Rs.19, 520 on Friday.

Supply side of gold is getting tighter as depicted by recent reports of falling gold production in major producing nations. The notion gets further support from the report that Central Banks selling fell to five year low in 2006 and likely to fall further. Central banks were net sellers of 11.4 million ounces of gold in 2006, down from 20.6 million ounces in 2005 according to CPM group's Gold Year Book. It was the lowest level of sales since the 10.9 million ounces sold in 2002. Central Banks gold sales are likely to decline further in 2007 as per CPM group's research. Meanwhile, Gold reserves with central banks and other government organizations declined for the eighth straight year in 2006, to the lowest in almost 60 years, according to International

Monetary Fund. Bullion holdings were 867.6 million ounces

last year, down 1.2% from 2005.

Commodity: GOLD

Contract: MCX APRIL Contract

Term: Short-term (Weekly)



#### Technical Analysis

Silver is also looking slightly positive at the stage as depicted by close above short term EMA, which suggests bullish sentiments in the market. MACD is running upward in negative zone, which shows decreasing bearish momentum. Stochastic is positive in neutral region. The prices might see positive bias.

**Recommendation:** Wait; Buy only on major dips.

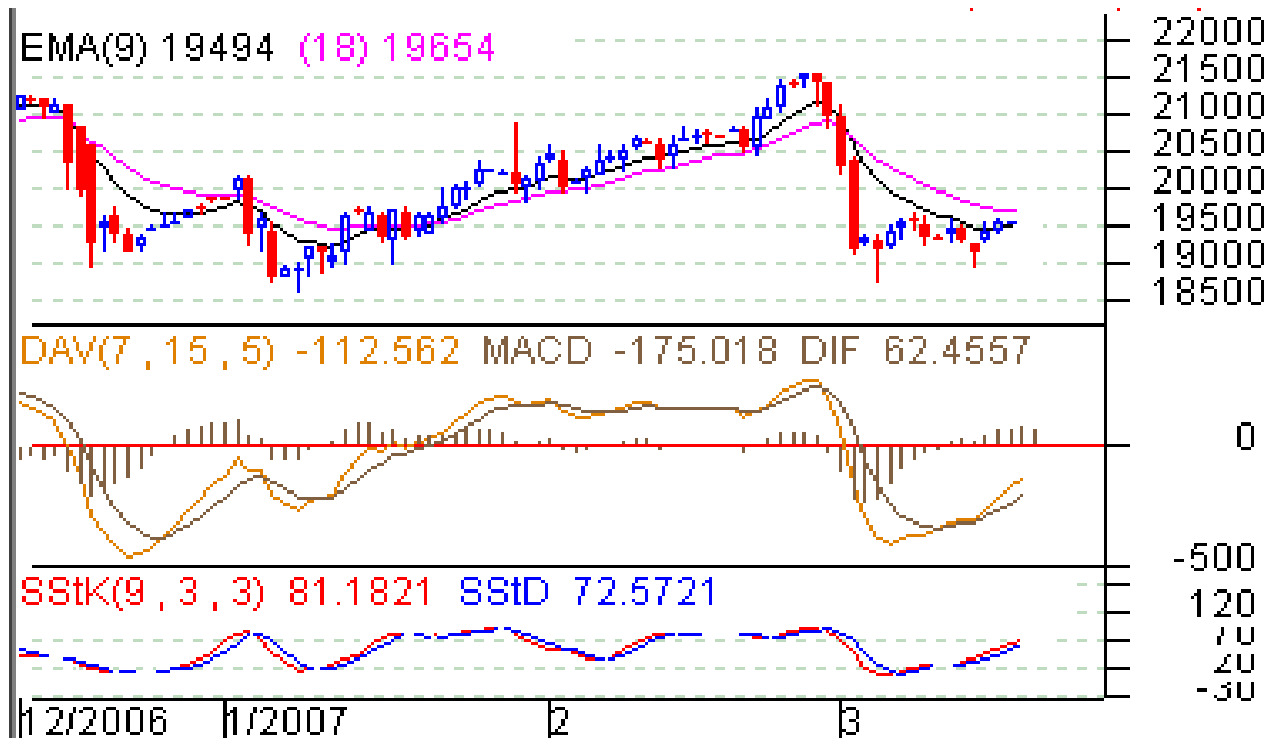
#### Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX April 07	641	629	668.8	681
MCX April 07	9287	9253	9630	9732

Commodity: SILVER

Contract: MCX MAY Contract

Periodicity: Weekly



#### Technical Analysis

Silver is also looking slightly positive at the stage as depicted by close above short term EMA, which suggests bullish sentiments in the market. MACD is running upward in negative zone, which shows decreasing bearish momentum. Stochastic is positive in overbought region. The prices might see positive bias.

**Recommendation:** Buy only on major dips.

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
MCX May'07	19173	18900	20217	20510

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