

PRECIOUS METALS (GOLD & SILVER)

20th June 2005

MAJOR ACTIVITY HIGHLIGHTS

- Gold for August delivery rose \$2.10 to close at \$440 an ounce on the COMEX division of New York Mercantile Exchange. At its best level, the contract touched \$441.30 an ounce. For the week, the contract moved up \$10.7, or 2.5%.
- Silver could not reap the benefits of the weaker dollar and lost 3.50 cents to close at \$7.335 per ounce. However, the metal this week gained overall slightly.
- The dollar declined broadly Friday after news of a record current account deficit reignited concerns about how the U.S. will fund that shortfall without stirring more trouble for the domestic economy and the health of its currency. The dollar was down around 1.5% against Europe's common currency; one euro was worth \$1.2281. The dollar stood at 108.63 yen, or down 0.3%. The dollar posted its first weekly loss against the euro in eight weeks. The euro crossed above \$1.2280 for the first time since June 7.
- Crude-oil futures closed at a record high Friday on the New York Mercantile Exchange, as traders speculated on the future status of exports out of Nigeria. On the Nymex, July-dated crude futures contracts, up 9.2% this week, closed at \$58.47 a barrel, up 3.3%, or \$1.89 after trading as high as \$58.60. The price eclipsed the previous record of \$58.28 a barrel set on April 4 intraday and the previous all-time high close of \$57.27 on April 1.
- The Labor Department reported that producer prices dropped 0.6% in May, the biggest monthly decline since April 2003, and core PPI rose 0.1%. Separately, the Commerce Department said U.S. retail sales fell by a weaker-than-expected 0.5% in May. U.S. consumer prices rose 3.3 percent in 2004, the most in four years.
- The Commerce Department unveiled a record \$195.1 billion quarterly current account deficit that amounted to a record 6.4% of gross domestic product.

PRICES

Spot Rate of Silver (Delhi Spot: Rs/Kg; London Spot: Cents/Troy Ounce) (One Troy Ounce = 31.10347 Grams)

Date	Delhi	London
June 13, 2005	10778.00	720.00
June 14, 2005	10812.00	725.50
June 15, 2005	10876.00	725.50
June 16, 2005	10971.00	737.50
June 17, 2005	11010.00	739.50
June 18, 2005	10868.00	---

Silver Futures (Rs/Kg)

Date	NCDEX JULY Contract of Silver	NCDEX Chandi 30 kg Silver JULY Contract
June 13, 2005	10723.00	10715.00
June 14, 2005	10733.00	10815.00
June 15, 2005	10765.00	10750.00
June 16, 2005	10807.00	10850.00
June 17, 2005	10786.00	10850.00
June 18, 2005	10794.00	10850.00

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

Date	Mumbai	London90(am fix)	London (pm fix)
June 13, 2005	6098.00	425.60	429.10
June 14, 2005	9121.00	426.95	426.85
June 15, 2005	6122.00	426.65	428.70
June 16, 2005	6176.00	431.30	433.00
June 17, 2005	6248.00	436.05	437.50
June 18, 2005	6257.0	---	---

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

Date	COMEX August Contract	NCDEX Gold JULY Contract	NCDEX Sona 1 kg AUGUST Contract
June 13, 2005	431.1	6145.00	6000.00
June 14, 2005	429.3	6148.00	6000.00
June 15, 2005	430.9	6155.00	6135.00
June 16, 2005	437.9	6213.00	6213.00
June 17, 2005	440.0	6249.00	6250.00
June 18, 2005	---	6239.00	6250.00

SUPPLY AND DEMAND STATISTICS of GOLD (LATEST)

Particulars	2003	2004	% Change 2004vs03	Q2'04	Q3'Q4	Q4'04	Q1'05	% Change Q4'04 vs. Q4'03
Supply								
Mine Production	2593	2464	-4.90	605	647	639	583	1.70
Net Producer Hedging	-279	-442	...	-111	-145	-109	-22	...
Total Mine Supply	2313	2022	-12.60	493	502	530	561	12.90
Official Sector Sales	617	478	-22.60	79	65	215	254	113.50
Old Gold Scrap	939	828	-11.90	206	183	204	229	-2.60
Total Supply	3870	3328	-14.00	779	750	950	1043	22.70
Demand								
Jewellery fabrication	2481	2610	5.20	672	658	675	707	17.00
Industrial and dental	381	411	7.90	109	102	100	100	-1.20
Net retail investment	292	342	17.40	86	77	96	101	20.80
Exchange Traded Funds And Similar	39	133	237.20	5	-2	114	89	439.90
Total identifiable demand	3194	3497	9.50	873	835	984	996	23.70
Balance	676	-169	-94	-86	-34	47	...

Figures in Tonnes

Source: WGC

FUNDAMENTAL ANALYSIS

Crude oil futures went up significantly high this week. The lower supply along with the geopolitical issues provided support to the crude prices. According to the Energy Department, demand for distillate fuel over the last month is up 6.5% from the year-ago levels. Closing of US embassy in Nigeria, a member of OPEC and the largest crude oil producer of Africa also remained supportive for the prices. the higher crude prices supported the inflation concern thereby supporting the yellow metal.

The Commerce Department unveiled a record \$195.1 billion first-quarter current account deficit. That amounts to a record 6.4% of gross domestic product. Purchases of U.S. assets with foreign funds totaled \$47.7 billion in April, the Treasury Department reported this week, short of the \$57 billion trade deficit that month. All of these pressurised the dollar against the euro. However, in the next week the Federal Reserve is expected to increase the interest rate to 3.25 per cent, which may put pressure on the yellow metal again.

Spot rates of gold in London increased during the week in London as well as in Mumbai. The June contract at the NCDEX remained significantly strong along with the COMEX futures. The NCDEX June vayda expired at substantially high prices.

Silver prices also remained strong this week. Prices at the Delhi spot market improved significantly this week. At the NCDEX the June contract closed this week and expired at its best level. The London spot rates and the COMEX futures also gained significantly.

Gold extended the rally setting a seven-week high amid a weaker dollar and strong buying supports. For the week, the COMEX August contract of gold moved up \$10.7, or 2.5%. Exerting little influence over metals over the last few weeks, the dollar weakened against its major rivals after news of a record high current account deficit in the first quarter reignited concerns about how the U.S. will fund the shortfall. Earlier, the Commerce Department unveiled a record \$195.1 billion quarterly current account deficit that amounted to a record 6.4% of gross domestic product. Gold has attracted strong buying recently, rising against both the euro and dollar, as investors, who are losing confidence in currencies, tout gold as a safe haven investment. The players opined with the negative sentiment towards the euro following French and Dutch rejections of the EU constitution and the dollar weighed down by U.S. structural problems of twin deficits, there's a growing realization that gold and other commodities offer far more stable investment prospects than paper currencies. The record high crude prices also indicate inflation concern supporting the yellow metals. However, silver could not reap the benefits of the weaker dollar. However, the metal this week gained overall slightly.

The domestic prices also moved in the same line as the international prices. The NCDEX June contract of gold settled at Rs 6243 per 10 gm, up by Rs 43. The silver June contract closed down Rs 6 at Rs 10843 per kg.

In these high prices there may be some profit taking. However, the trend is still strong.

Exchange Rate in INR

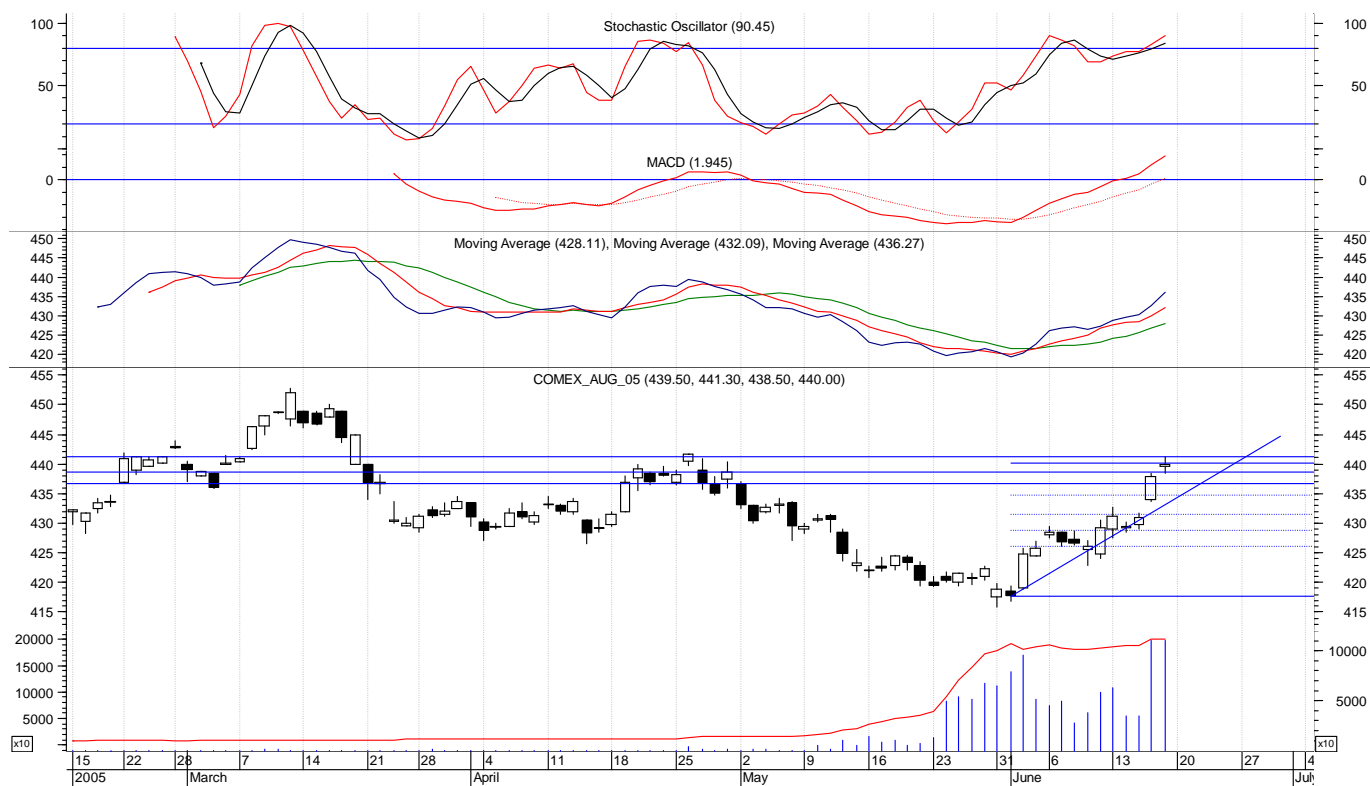
Currency	13/06	14/06	15/06	16/06	17/06
1 USD	43.62	43.65	43.66	43.61	43.59
1 Euro	52.74	52.54	52.69	52.75	53.22
1 GBP	78.92	78.96	79.42	79.36	79.50
100 Yen	40.17	39.96	39.90	39.99	40.05

TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX August Contract (GCQ05)

Term: Short-term (Weekly)



Candlesticks: The formation of the candlestick pattern indicates towards a higher opening. The RSI (69.09) is approaching towards the overbought region.

Moving Average: The 3-day MA is above than the 7 -day and 14-day MAs. The price line is above than the MAs.

MACD: MACD has reached the positive territory (1.945) and is going sharply high.

Stochastic: The % K-line is above the % D-line and both are in the over bought region.

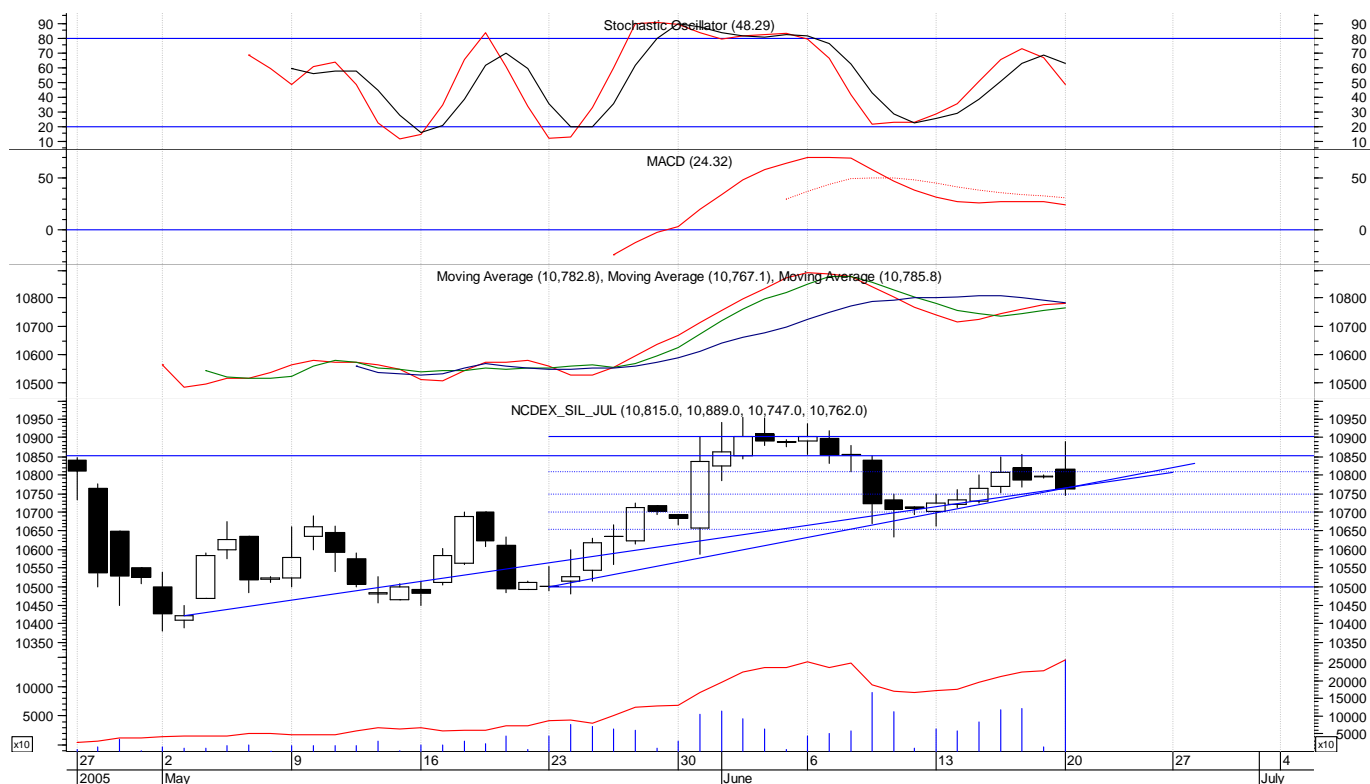
The indicators are pointing towards the more improvement in the futures. There are resistance around 441 marks and

support at 438.5 marks and it is likely that the prices would maintain the up-trend. At the NCDEX the nearby support is at around 6190 marks. Slight correction may be seen during the weekend.

Recommendation: Remain long if prices remain above the resistance level.

It is always recommended to include gold in portfolio. The reason is its negative correlation with other financial assets. It is very hard to find any asset negatively correlated to other assets like gold is. So by including gold in portfolio one can diversify one's portfolio and reduce risk. Return per unit of risk in such portfolio is usually high.

Commodity: Silver
 Contract:: NCDEX July contract
 Periodicity: Weekly



Candlestick: The candlestick pattern is pointing towards the lower opening on the next day. The RSI (50.38) is in the neutral region.

MA: The 5-day MA is above the 7 -day MA however, both are below the 14 -day MA. The price line is below the MAs.

MACD: The MACD is in the positive territory (24.32) however, going downwards.

Stochastic: The % K-line is below the % D -line and going downwards..

The indicators are pointing towards the weakness to remain this week. However, for the first couple of days the prices may go up. The nearby support is at around 10750 marks and then at 10700 marks. The resistance is at around 10808 marks.

Recommendation: If the contract fails to remain above the 10750 marks sell with a short-term outlook.

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