

PRECIOUS METALS (GOLD & SILVER)

27th June 2005

MAJOR ACTIVITY HIGHLIGHTS

- The benchmark August contract of gold fell \$1.2 to close at \$442.0 per ounce. For the week the contract gained \$2 per ounce.
- July silver contract at the COMEX closed up 0.7 cents at \$7.28 per ounce on the last trading day of this week. For the week the contract declined marginally.
- The dollar extended its modest decline from its 10-month peak against the euro in U.S. trading as details within a report on durable goods orders indicated some weak spots for U.S. manufacturing. The dollar also pared its gain against the yen after that report. In late U.S. trading, the euro was quoted at \$1.21, up 0.6% from where it stood late Thursday. It fell to \$1.1982 in the early hours of Friday trading, a level last touched in the first week of August last year.
- Crude oil futures on the last trading day of the week ended 1 % higher for the week as, traders continued to consider the unstable balance of supply and demand. Crude-oil futures for August delivery tacked on 42 cents to close at \$59.84 a barrel on the New York Mercantile Exchange -- 66 cents above last Friday's close. On Monday, the contract ended at a record high of \$59.88.
- Durable goods orders were down 0.2% in May, the third decline in the past four months. And, non-defense orders outside of aircraft, a closely tracked detail of the report believed to best reflect the broad manufacturing sector, tumbled 2.3%.
- Orders at U.S. factories surged 5.5 percent last month, but almost solely because of aircraft, a volatile category that saw orders leap 165% in May.

PRICES

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

Date	Delhi	London
June 20, 2005	10969.00	737.00
June 21, 2005	10791.00	721.50
June 22, 2005	10829.00	724.00
June 23, 2005	10773.00	722.00
June 24, 2005	10846.00	728.50
June 25, 2005	10840.00	---

Silver Futures (Rs/Kg)

Date	NCDEX JULY Contract of Silver	NCDEX Chandi 30 kg Silver JULY Contract
June 20, 2005	10762.00	11534.00
June 21, 2005	10749.00	11534.00
June 22, 2005	10731.00	11534.00
June 23, 2005	10747.00	11534.00
June 24, 2005	10751.00	11534.00
June 25, 2005	10757.00	11534.00

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

Date	Mumbai	London (am fix)	London (pm fix)
June 20, 2005	6283.00	440.50	439.35
June 21, 2005	6227.00	434.35	435.20
June 22, 2005	6252.00	437.50	437.00
June 23, 2005	6256.00	437.15	439.15
June 24, 2005	6317.00	442.95	440.55
June 25, 2005	6292.00	---	---

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

Date	COMEX August Contract	NCDEX Gold JULY Contract	NCDEX Sona 1 kg AUGUST Contract
June 20, 2005	440.0	6248.00	6250.00
June 21, 2005	440.5	6250.00	6250.00
June 22, 2005	439.7	6242.00	6250.00
June 23, 2005	443.2	6270.00	6250.00
June 24, 2005	442.0	6267.00	6250.00
June 25, 2005	---	6268.00	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 continued the up-trend this week also. The data of the US energy department that showed unusual demand growth helped the crude prices to surge up. The continuous rise in the crude prices remained supportive for the yellow metal as, higher crude prices indicate inflationary pressure.

This week the dollar remained volatile against the major currencies of the world. On the last trading day the greenback slipped down from its 10-month peak against the euro. Though the recent trend in gold shows a detachment from the US currency still weaker dollar may significantly contribute to the smooth progress of the gold prices and vice-versa. The probable increase in the interest rate by the Federal Reserve to 3.25 per cent is likely to boost the dollar.

Spot rates of gold increased during the week in London as well as in Mumbai. The June contract expired at the NCDEX and the July contract remained significantly strong along with the COMEX August futures.

Silver prices slipped this week. Prices at the Delhi spot market declined significantly this week. At the NCDEX the July contract however, went down marginally. The London spot rates and the COMEX futures also remained weak.

Gold futures at the COMEX division of NYMEX settled lower on the last trading day of the week. For the week the contract gained \$2 per ounce. Some profit taking at the higher prices pulled down the yellow metal. The movement of the dollar had a little effect on the direction for gold. The dollar remained slight weaker against the euro and little higher than the Japanese yen. Thus, it seems that the yellow metal continues the detachment from the US currency. The geopolitical matters also have taken a back seat for now. Recently it seems that the yellow metal has been following the crude oil prices, which have climbed up significantly in recent times. The higher crude prices are not only supporting the inflationary concern but also boosting the cost of production for the majority of industries. Silver also got some support from this.

The domestic prices also moved in the same line as the international prices. The NCDEX July contract of kilo gold settled this week at Rs 6268 per 10 gm, up by Rs 29 over the week. The silver July contract closed down Rs 37 for the week to close the week at Rs 10757 per kg.

However, the series of data that is going to release on the next week and technical factors may put pressure on gold and silver further. It seems that some correction may be there for making ground for further gains in the longer terms.

Exchange Rate in INR

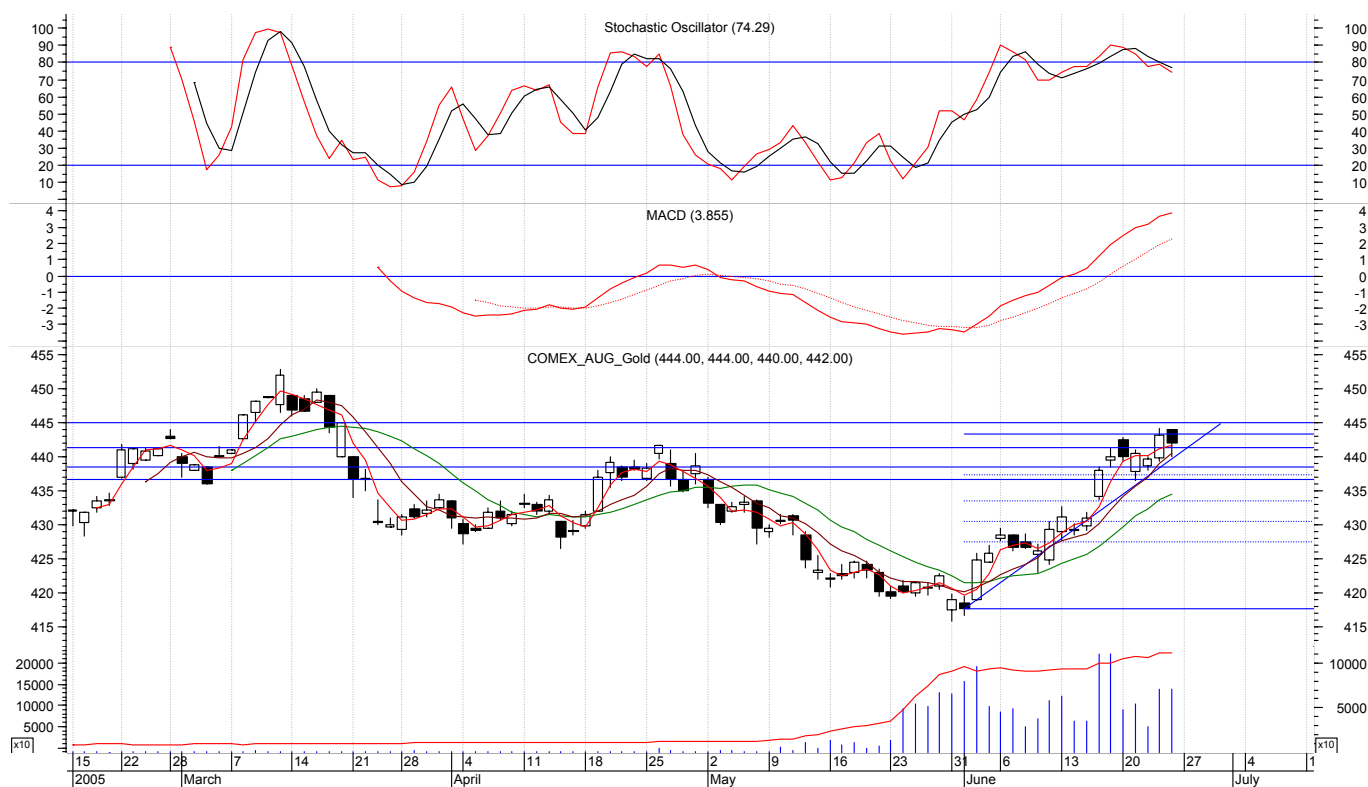
Currency	20/06	21/06	22/06	23/06	24/06
1 USD	43.54	43.61	43.50	43.53	43.56
1 Euro	53.22	52.93	53.01	52.74	52.42
1 GBP	79.50	79.49	79.58	79.25	79.12
100 Yen	40.05	39.88	40.11	40.04	39.96

TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX August Contract (GCQ05)

Term: Short-term (Weekly)



Candlesticks: The formation of the candlestick pattern indicates towards a lower opening. The RSI (68.45) has come down from the overbought region. The candlestick pattern of the last day also suggests that it may have formed a temporary peak.

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 is in the positive territory (3.855) and is going sharply high.

Stochastic: The % K-line is below the % D-line and both have come out from the overbought region.

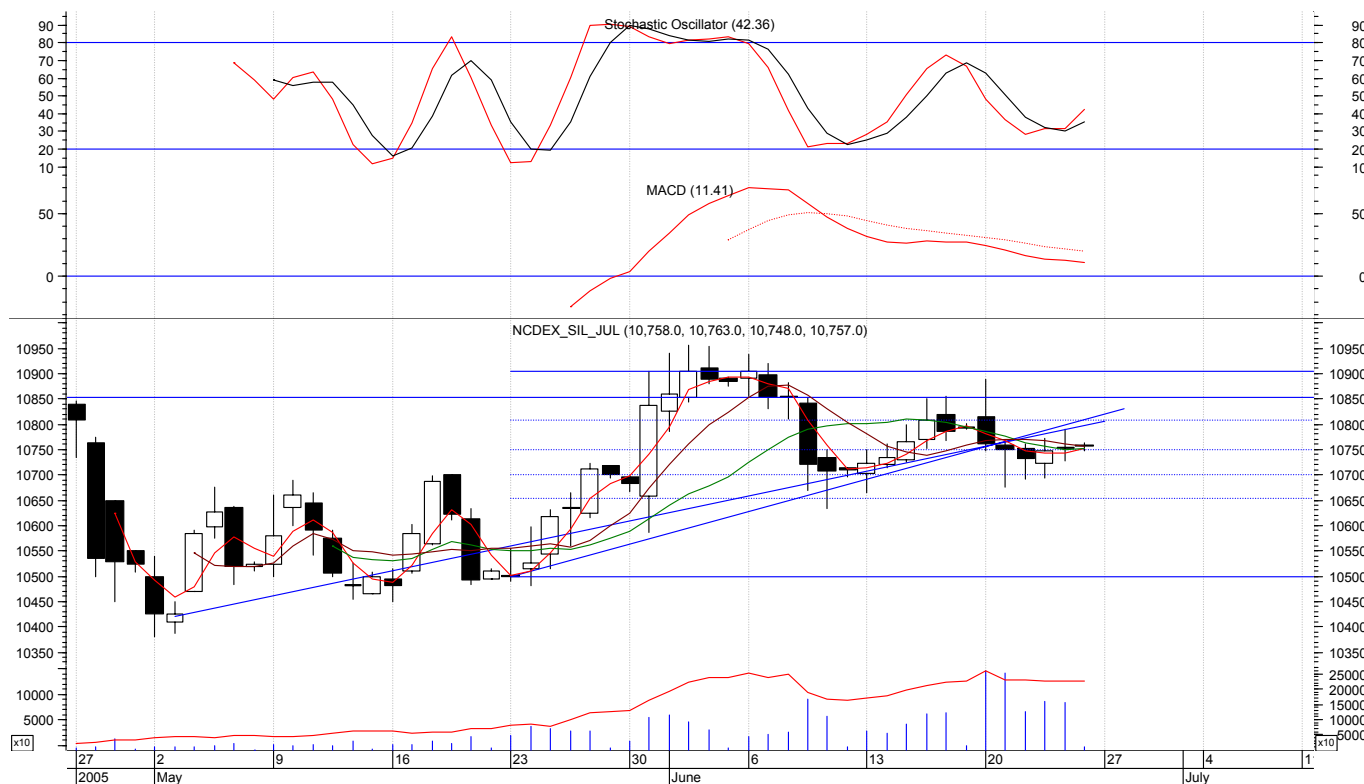
The indicators are pointing towards a mixed scenario. When the RSI and stochastic are indicating a fall, the MACD and the MAs are pointing towards the more

strength. In this situation it seems that there may be some technical corrections in the near future. The nearby support levels are at around 441.2 and 438.5 marks. The nearby resistance levels are at 443.3 and 445. For NCDEX the support and resistance levels are at 6250 and 6300 respectively.

Recommendation: New entrants may enter below the support level prices. Long-term investors hold for a better level to sell.

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 an indecisive situation. The RSI (50.27) is in the neutral region. The candlesticks are indicating that there may be a trend reversal.

MA: The 7-day MA is above the 14 -day MA. The 3-day MA just cut the 14-day MA from below.

MACD: The MACD is in the positive territory (11.41) however, going downwards.

Stochastic: The % K-line is above the % D-line and going upwards.

The indicators are not clearly indicating the price movement. However, there may be some weakness in the later half of the week. One should check the support levels at 10750 and 10700 and the resistance levels at 10766 and 10786 marks.

Recommendation: Trade cautiously and check the support and resistance levels. Buy below 10700 marks. Hold for further gain if prices go above than 10786 marks.

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