

## PRECIOUS METALS (GOLD & SILVER)

13<sup>th</sup> June 2005

### MAJOR ACTIVITY HIGHLIGHTS

- The COMEX benchmark August contract of gold ended the week at \$429.3 per ounce up by \$3.20. The contract gained more than 0.8 per cent over the week.
- The COMEX July silver added 1.8 cents to close at \$7.288 per ounce. However, the contract weakened 2.9 per cent over the week.
- The dollar reached a nine-month high against the euro Friday after an in-line April trade gap figure was viewed as confirming the economy's strength. In late trade, the euro was down 0.9% at \$1.2119. The report also featured a revision in the March trade gap to show a decline of 10.9% to \$53.6 billion, compared with the initial estimate of \$55.0 billion. In intra-day action, the currency fell to \$1.2106, its weakest level since Sept. 8, 2004. The dollar was up 0.9% at 108.54 yen.
- Oil futures closed the week lower on the New York Mercantile Exchange, with traders skeptical of tropical storm Arlene's impact on oil and gas production in the Gulf of Mexico. July crude fell 1.4%, or 74 cents, to close at \$53.54 a barrel and was down 2.7% for the week. Heating oil shed 1.1%, or 1.82 cents, to close at \$1.6074 a gallon, but was up 0.5% for the week.
- The Commerce Department reported that the trade gap widened 6.3% in April to \$57.0 billion while exports rose 3.0% to a record \$106.4 billion during the month.
- The comment by the Federal Reserve Chairman Mr. Greenspan that stated that the central bank would stick with a measured rate hike policy boosted the dollar up against the euro.
- The weekly jobless claim declined to 321000 from 350000 this week supporting the dollar.

### PRICES

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

Date	Delhi	London
June 06, 2005	10914.00	746.00
June 07, 2005	10953.00	752.50
June 08, 2005	10864.00	740.00
June 09, 2005	10852.00	738.00
June 10, 2005	10814.00	724.00
June 11, 2005	10808.00	---

#### Silver Futures (Rs/Kg)

Date	NCDEX JUNE Contract of Silver	NCDEX Chandi 30 kg Silver JULY Contract
June 06, 2005	10909.00	10939.00
June 07, 2005	10853.00	10939.00
June 08, 2005	10852.00	10939.00
June 09, 2005	10710.00	10939.00
June 10, 2005	10705.00	10939.00
June 11, 2005	10701.00	10939.00

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

Date	Mumbai	London90(am fix)	London (pm fix)
June 06, 2005	6075.00	424.80	425.85
June 07, 2005	6103.00	426.60	424.10
June 08, 2005	6089.00	424.90	424.55
June 09, 2005	6067.00	423.55	422.50
June 10, 2005	6058.00	422.75	422.55
June 11, 2005	6096.00	---	---

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

Date	COMEX August Contract	NCDEX JUNE Contract	Gold NCDEX Sona 1 kg Gold JUNE Contract
June 06, 2005	428.4	6123.00	6049.00
June 07, 2005	426.7	6108.00	6100.00
June 08, 2005	426.6	6102.00	-
June 09, 2005	426.1	6092.00	-
June 10, 2005	429.3	6124.00	-
June 11, 2005	---	6115.00	-

## SUPPLY AND DEMAND STATISTICS

Particulars	2003	2004	% Change 2003vs02	Q4'02	Q4'Q3	Q4'04	% Change Q4'04 vs. Q4'03
<b>Supply</b>							
Mine Production	2592	2478	-4.4%	603	654	649	1.3%
Net Producer Hedging	-279	-445	---	-111	-144	-113	---
Total Mine Supply	2313	2034	-12.1%	491	510	536	-12.6%
Official Sector Sales	617	497	-19.43%	79	65	234	3654.4%
Old Gold Scrap	944	829	-12.2%	197	192	205	-14.2%
Total Supply	3875	3360	-13.3%	767	766	976	-4.8%
<b>Demand</b>							
Fabrication	2522	2673	6.0%	691	672	690	8.8%
Jewellery	318	348	9.3%	93.59	85.81	83.90	2.9%
Industrial	67	68	1.1	17.11	16.68	16.73	0.5%
Dental	2907	3088	6.21%	802	774	791	792.8%
Sub Total above Fabrication	314	396	26.17%	106	90	95	1461.1%
Bar & Coin Retail Investment	3221	3484	8.2%	908	864	886	8.6
Total Demand							
<b>Balance</b>	<b>653</b>	<b>-124</b>	<b>NA</b>	<b>-141</b>	<b>-98</b>	<b>90</b>	<b>---</b>

Figures in Tonnes

Source: WGC

## FUNDAMENTAL ANALYSIS

Crude futures weakened this week. The expected storm over the gulf of Mexico remained one of the major factors behind the crude prices movements. Earlier, energy futures rallied as traders remembered Hurricane Ivan last year, which cut a swath through the Gulf, forcing oil companies to shutter production and leading to a surge in energy prices. However, there was nothing at present. Lower crude prices ease the concern of inflation, which is dollar supportive.

Dollar remained stronger against the euro almost throughout the week. The US currency closed the week at the ninth month high against the dollar. The euro could not recover from the rejection of European constitution by France and Netherlands. Dollar also got strength from the US trade deficit data, which came lower against the expectation. A stronger dollar makes the dollar denominated gold less attractive for investment.

Spot rates of gold in London decreased during the weekend in London as well as in Mumbai. The June contract at the NCDEX remained weak along with the COMEX June futures. However, the COMEX June contract gained 0.8 per cent on the week.

Silver prices declined this week. Prices at the Delhi spot market fell significantly this week. At the NCDEX the June contract closed this week went down against the previous week's closing. The London spot rates and the COMEX futures also declined this week.

Gold, silver remained highly volatile, driven by the US currency. Gold futures rallied in late-session halting its three-session downward trend to close at a one-month high. The rally came even as the dollar rose against major currencies, as metals traders scurried to cover short positions. For the week the COMEX August gold contract moved up 0.8 per cent or \$3.50 per ounce. Earlier, the dollar rallied against the euro and yen after the Commerce Department reported that the trade gap widened 6.3% in April to \$57.0 billion while exports rose 3.0% to a record \$106.4 billion during the month. Ordinarily, it would mean selling pressure on dollar-denominated gold, which has an inverse relationship to the dollar. The dollar got the strength as the participants thought the growth in the US economy was not so soft and the comment by Mr. Greenspan that US would continue to increase the interest rate at a measured pace. However, despite the strength in the dollar

the improvement in the gold and silver is indicating that if there is any strength in the euro both the metals would go up further. The domestic prices also followed the

international market advice throughout the week. In this respect the trading on Monday would be very crucial. The close may indicate the near-term move.

### Exchange Rate in INR

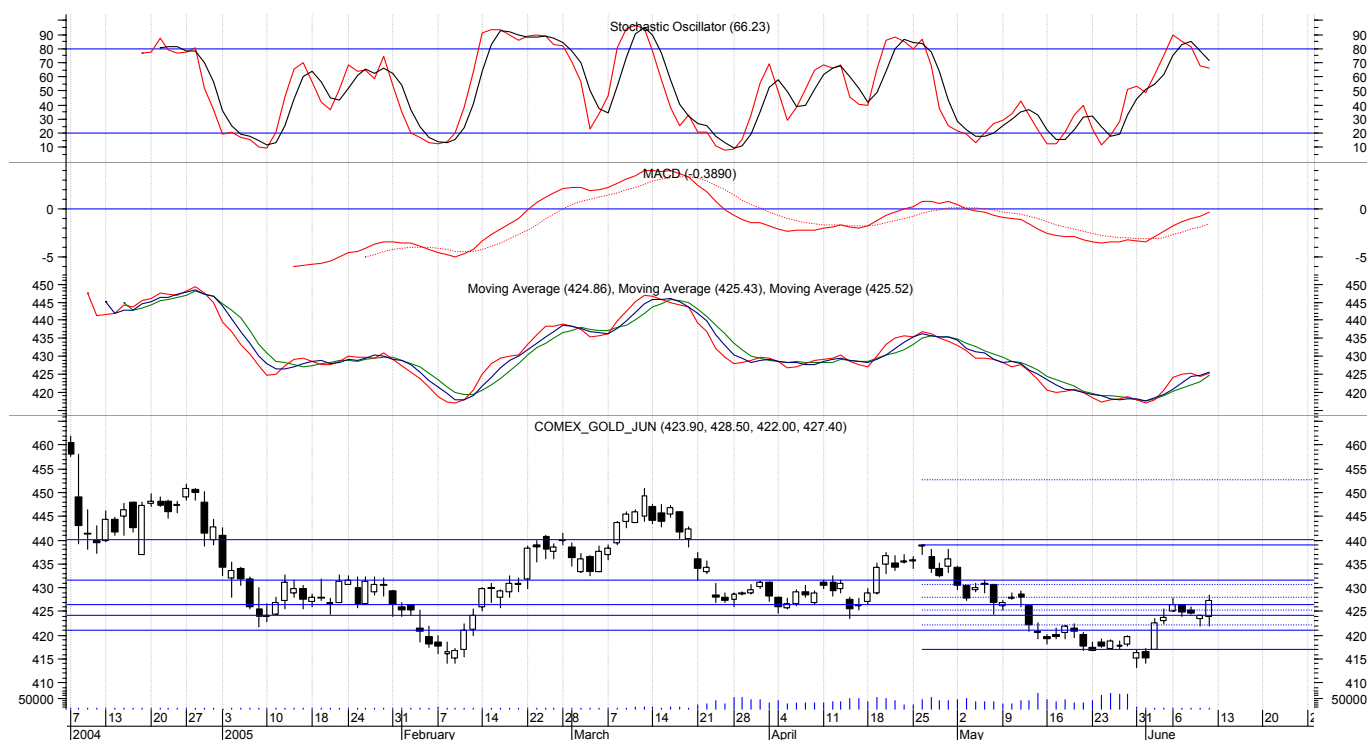
Currency	06/06	07/06	08/06	09/06	10/06
1 USD	43.60	43.53	43.53	43.55	43.56
1 Euro	53.37	53.55	53.62	53.22	53.21
1 GBP	79.17	79.61	79.89	79.49	79.26
100 Yen	40.57	40.75	40.73	40.59	40.53

## TECHNICAL ANALYSIS

**Commodity: GOLD**

**Contract: COMEX June Contract (GCM05)**

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



**Candlesticks:** The formation of the candlestick pattern indicates towards a higher opening. The RSI (67.25) is approaching the overbought region.

**Moving Average:** The 3-day MA is below than the 5 -day, however, both the MAs are above the 7 -day MA.

**MACD:** MACD is in the negative territory (-0.389) and is about to enter the positive territory.

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

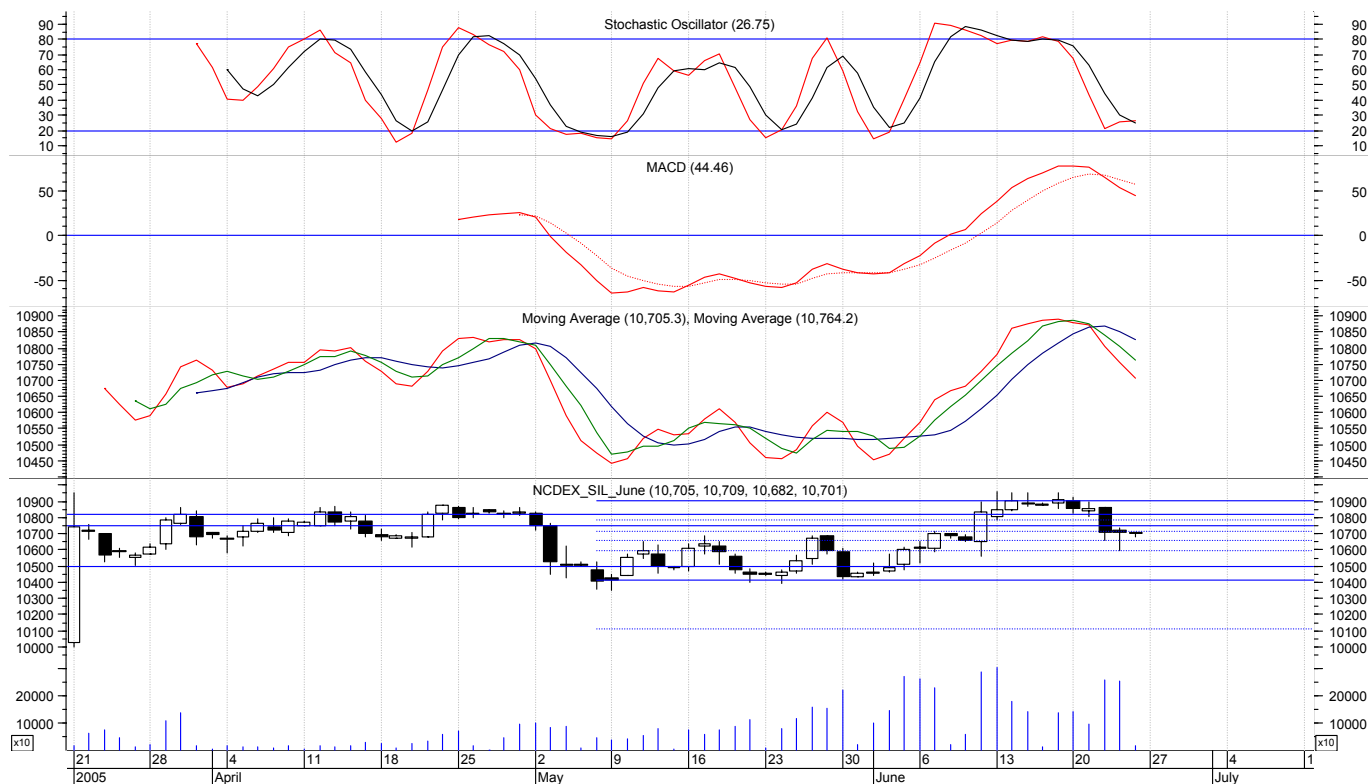
The indicators are pointing towards the more improvement in the futures however, the price line below the MAs is

pointing towards slight weakness. There are resistance around 428 marks and support at 426 marks and it is likely that the prices would maintain the up-trend. For august contract the resistance is at around 431 marks. At the NCDEX the nearby resistance is at around 6129 marks.

**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 May contract  
 Periodicity: Weekly



**Candlestick:** The candlestick pattern is pointing towards the lower opening on the next day. The RSI (38.17) is approaching towards the oversold region.

**MA:** The 3-day MA is below the 5 -day and 7 -day MAs. The 5 -day MA is below the 7 -day MA.

**MACD:** The MACD is in the positive territory (44.46) however, going downwards.

**Stochastic:** The % K-line has just cut the % D -line from below.

The indicators are pointing towards the weakness to continue this week. However, for the first couple of days the prices may go up. The nearby resistance is at 10750 marks.

**Recommendation:** If the contract succeeds to remain above 10750 marks remain long, otherwise book profit.

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