

## PRECIOUS METALS (GOLD & SILVER)

July24-30 2005

### MAJOR ACTIVITY HIGHLIGHTS

- The August delivery of gold at the COMEX added \$2.50 to close at \$429.90. The December contract on the other hand closed at \$435.80 per ounce, up by \$2.50. For the month of July the yellow metal fell 1.6 per cent.
- Silver September delivery rose 6.2 cents to close at \$7.262 an ounce Friday, its highest level since June 27. It ended the week 2.1 per cent higher and logged a gain of 2.6 per cent for the month.
- Late Friday, the dollar was trading unchanged against the euro, with Europe's shared currency changing hands at \$1.2125. Against its U.K. counterpart, the dollar fell 0.1% compared to where it stood late Thursday, to \$1.7574 per pound. The greenback's only gains against the major came against the yen. The dollar was last at 112.43 yen, up a slender 0.1% from the previous day.
- Crude oil futures closed Friday above \$60 per barrel for the first time in over two weeks. For the month crude gained 5 per cent. Crude for September delivery traded as high as \$61.05 a barrel on the New York Mercantile Exchange -- it's highest since July 13. It closed at \$60.57, up 63 cents for the session.
- Durable goods orders increased 1.4% in June to mark a third-straight, strong monthly increase. Joblessness fell in Germany and France. Increased in US for the week.
- For the second quarter, 2005 the GDP grew at 3.4 per cent. The data also indicated that the inflation kept growing at 1.7 per cent rate against the anticipated 1.4 per cent.

### PRICES

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

Date	Delhi	London
July 25, 2005	10507.00	711.00
July 26, 2005	10502.00	707.50
July 27, 2005	10398.00	699.00
July 28, 2005	---	706.50
July 29, 2005	10548.00	714.50
July 30, 2005	10583.00	---

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

Date	Mumbai	London (am fix)	London (pm fix)
July 25, 2005	6079.00	424.85	425.40
July 26, 2005	6080.00	424.50	423.25
July 27, 2005	---	422.75	424.00
July 28, 2005	---	425.30	426.40
July 29, 2005	6113.00	427.15	429.00
July 30, 2005	6142.00	---	---

### Silver Futures (Rs/Kg)

Date	NCDEX AUG Contract of Silver	NCDEX Chandi 30 kg Silver SEPT Contract
July 25, 2005	10623.00	10600.00
July 26, 2005	10504.00	10600.00
July 27, 2005	10532.00	10600.00
July 28, 2005	---	---
July 29, 2005	10690.00	10655.00
July 30, 2005	10671.00	10655.00

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

Date	COMEX August Contract	NCDEX Gold AUG Contract	NCDEX Sona 1 kg AUGUST
July 25, 2005	425.9	6115.00	6111.00
July 26, 2005	423.5	6093.00	6111.00
July 27, 2005	424.8	6093.00	6111.00
July 28, 2005	427.4	---	---
July 29, 2005	429.9	6150.00	6120.00
July 30, 2005	---	6148.00	6170.00

## 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
<b>Supply</b>								
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
<b>Demand</b>								
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 futures this week succeeded to witness a gain after losing for more than two weeks. Crude got fundamental support from the fire in one of ONGC platform in Bombay High, India. After that an explosion in the refinery in Texas City also provided the crude strong support. There was a drop in the gasoline inventory as per the report of the US energy department. The higher crude prices remained supportive for the metals.

The dollar has been largely consolidating in the week since China announced it dropped its rigid yuan-dollar peg, initial news of which sent the yen sharply higher in step with rising Asian currencies. The strong economic data however, provided some support to the greenback. The dollar could not take benefit of the economic statistics on Friday. The weaker dollar remained kept boosting the metals up this week.

Spot rates of gold improved during the week in London as well as in Mumbai significantly. At the NCDEX the gold kg futures gained throughout the week along with the COMEX futures mainly during the last couple of days.

Silver prices continued the gain this week in both spot as well as in futures. Prices at the Delhi spot market improved substantially. At the NCDEX also the futures witnessed gains. The London spot rates and the COMEX futures improved throughout the week.

Gold continued the gain yesterday at the COMEX amid soft dollar. Silver also rallied and maintained the firmness. The August delivery of gold at the COMEX added \$2.50 to close at \$429.90. The December contract on the other hand closed at \$435.80 per ounce, up by \$2.50. The contract closed out last week at \$430.90 and ended the month of June at \$443. For the month of July the yellow metal fell 1.6

per cent. Silver September delivery rose 6.2 cents to close at \$7.262 an ounce Friday, its highest level since June 27. It ended the week 2.1 per cent higher and logged a gain of 2.6 per cent for the month. The dollar came under pressure after the economic data released yesterday showed that the US economy instead of growing at a 3.1 per cent annual rate from in the three years from 2002 through 2004 actually grew at a 2.8 per cent rate. For the second quarter, 2005 the GDP grew at 3.4 per cent. The data also indicated that the inflation kept growing at 1.7 per cent rate against the anticipated 1.4 per cent. This remains as a pressure for the dollar. This week gold also found support from the euro when the unemployment claims fell in Germany, the largest euro zone economy.

In the domestic markets both the metals yesterday witnessed sharp gains amid fresh buying activities and strong international market advice. Today, the last trading day of the week however, both the metals remained marginally weak. The gold kg August contract on Saturday at the NCDEX closed at Rs 6148 per 10 gm, down by Rs 2. Silver August contract at the NCDEX declined Rs 29 to close at Rs 10671 per kg. For the week both the metals improved significantly.

Both the metals are expected to maintain the upward movement in the coming week too. However, the market indicates an overbought condition. Thus, there may be technical pullback during later in the coming week. The movement in dollar should be closely watched, as this may affect significantly both the metals.

**Watch-outs for Next Week:** ISM, Consumer spending, Personal income, Factory orders, Non-farm payrolls, Consumer credit, Average hourly earning etc.

## Exchange Rate in INR

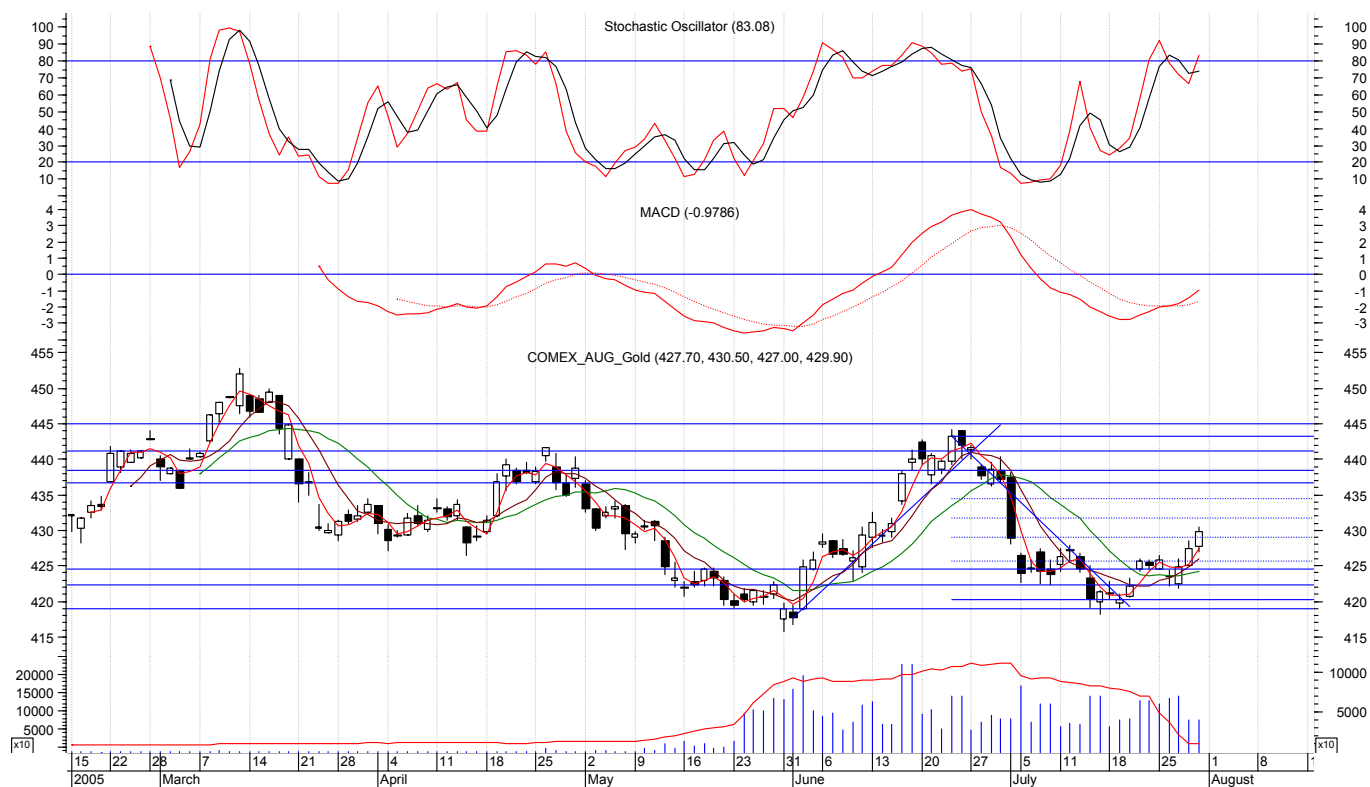
Currency	25/07	26/07	29/07
1 USD	43.50	43.52	43.49
1 Euro	52.43	52.42	52.73
1 GBP	75.56	75.91	76.34
100 Yen	38.95	38.94	38.82

## TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX August Contract (GCQ05)

Term: Short-term (Weekly)



**Candlesticks:** The formation of the candlestick pattern indicates strength. However, three soldiers were not formed. The RSI (55.89) is in the neutral region.

**Moving Average:** The 3-day MA remains well above both 7-day and 14-day MAs. The 7-day MA is also, above the 14-day MA. The price line is above than the MAs.

**MACD:** The MACD is in the negative territory (-0.9786) however, it has made a bullish crossover with its signal line.

**Stochastic:** The % K-line after cutting the % -D line has reached the overbought region however, the % D-line is below that region.

The indicators are indicating towards the firmness of the present trend. All the indicators are pointing towards the bullish outlook. However, the August contract is going to expire.

**Recommendation:** Remain long and follow the magic levels given below.

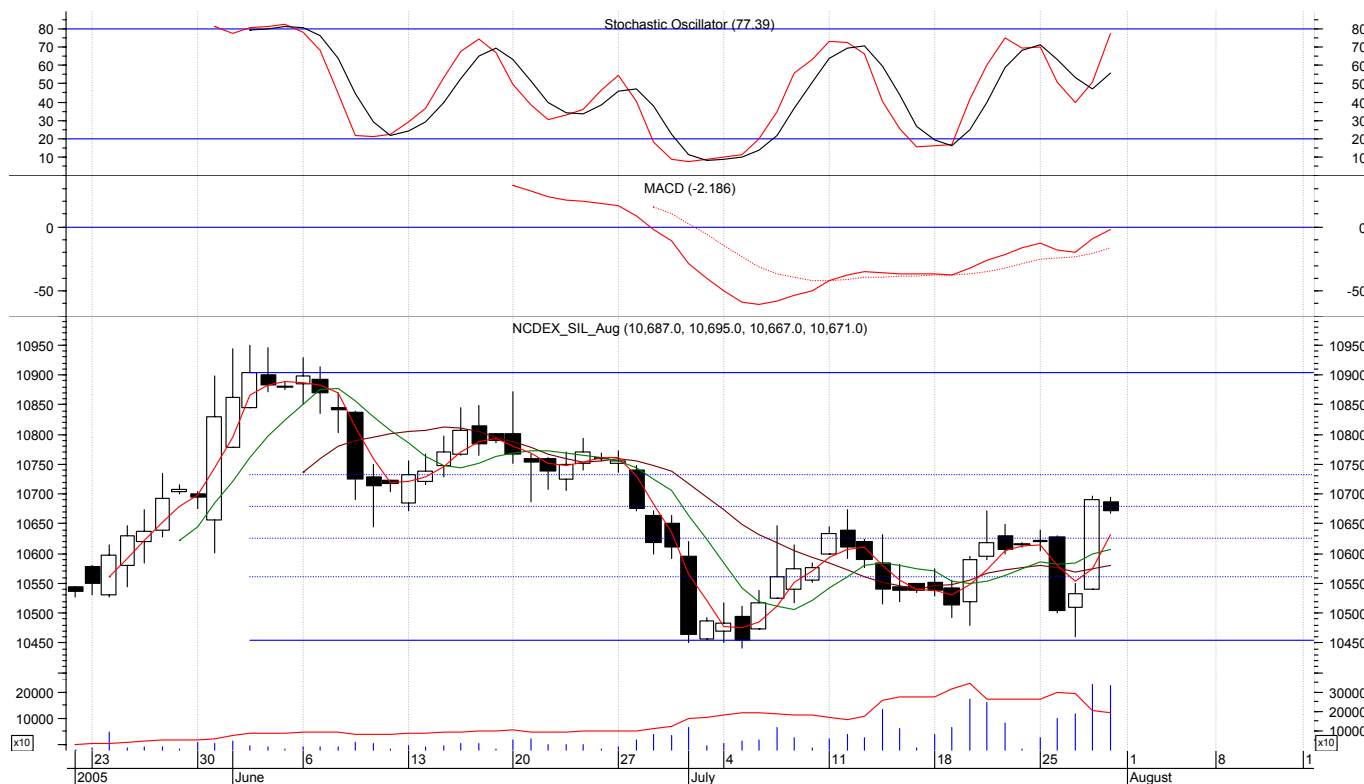
### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
COMEX August	427	424	431	435
NCDEX August	6133	6120	6155	6170

Stop-loss at Rs 6130.

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 August contract  
Periodicity: Weekly



**Candlestick:** The candlestick pattern is pointing towards the strength. A marginal pullback was seen on the closing day. The RSI (57.56) is in the neutral region.

**MA:** The 3-day MA has cut both 7-day MA and also the 14-day MA from below. The 7-day MA is well above the 14-day MA.

**MACD:** The MACD (-2.186) is in the negative territory however it is well above its signal line.

**Stochastic:** The % K-line (77.39) is above the % D-line and approaching to the overbought territory.

All the indicators are indicating towards the bullish outlook presently. The volume is also supporting the fact.

Recommendation: Remain long.

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX July	10650	10631	10680	10725

Stop loss at 10640 mark.

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