

## PRECIOUS METALS (GOLD & SILVER)

July11-16 2005

### MAJOR ACTIVITY HIGHLIGHTS

- The most active August contract of gold closed up \$1.10 at \$421.30 per ounce on the last trading day of the week. However, the contract dropped down \$2.50 or 0.6 per cent over the week.
- Silver September contract on the other hand closed down 0.5 cents to close the week at \$6.99 per ounce. The benchmark contract lost 4 cents against the previous week's closing.
- On Friday in the US trading, the dollar rose 0.4% against the euro, with one euro fetching \$1.2042. Against Japan's currency, the dollar remained marginally lower at 112.17 yen, down 0.2%.
- On Friday, Crude for August delivery closed at \$58.09 a barrel on the New York Mercantile Exchange, up 29 cents for the session, but down \$1.54 from last week's close of \$59.63. The contract dropped almost 3 per cent over the week.
- The US CPI data remained unchanged for the month of June. The US trade deficit gap narrowed to \$55.3 billion against the expectation of around \$57 billion. The Jobless claims increased to 336000 this week. The PPI at the wholesale level fell 0.1%.
- Empire State index rose to 23.9 from a revised 10.5 in June. The Federal Reserve said U.S. industrial production surged 0.9% in June, the strongest monthly increase since February 2004. The University of Michigan consumer sentiment index improved to 96.5 in July from 96.0 in June.

### PRICES

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

Date	Delhi	London
July 11, 2005	10469.00	704.00
July 12, 2005	10550.00	710.25
July 13, 2005	10467.00	703.50
July 14, 2005	10407.00	698.50
July 15, 2005	10397.00	696.50
July 16, 2005	10392.00	---

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

Date	Mumbai	London (am fix)	London (pm fix)
July 11, 2005	6089.00	425.00	424.20
July 12, 2005	6114.00	426.95	426.25
July 13, 2005	6094.00	425.55	424.50
July 14, 2005	6068.00	422.50	424.30
July 15, 2005	6020.00	419.60	418.35
July 16, 2005	6030.00	....	....

### Silver Futures (Rs/Kg)

Date	NCDEX JULY Contract of Silver	NCDEX Chandi 30 kg Silver SEPT Contract
July 11, 2005	10590.00	10520.00
July 12, 2005	10562.00	10650.00
July 13, 2005	10529.00	10610.00
July 14, 2005	10449.00	10610.00
July 15, 2005	10445.00	10584.00
July 16, 2005	10453.00	10584.00

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

Date	COMEX August Contract	NCDEX Gold JULY Contract	NCDEX Sona 1 kg AUGUST
July 11, 2005	426.3	6126.00	6150.00
July 12, 2005	427.1	6118.00	6150.00
July 13, 2005	424.6	6104.00	6090.00
July 14, 2005	420.2	6045.00	6090.00
July 15, 2005	421.3	6044.00	5901.00
July 16, 2005	....	6045.00	....

## 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

This week the crude oil futures declined overall despite gain on the last trading day. The crude futures tracked the weather conditions highly this week. Whether the hurricanes would cause significant damage to the oil production units or not governed the crude futures a lot. The decline in the crude prices pressurised the yellow metal also.

The dollar maintained the strength throughout the week against its major international rival. The euro remained under pressure. The US economic data supported the greenback strongly. The industrial data showed that the economy is going well. This along with the lower inflation concern indicated by the CPI and PPI data boosted the dollar. The stronger dollar remained bearish for both the metals.

Spot rates of gold decreased during the week in London as well as in Mumbai. At the NCDEX the gold kg futures declined significantly throughout the week along with the COMEX futures.

Silver prices this week went down in both spot as well as in futures. Prices at the Delhi spot market declined substantially. At the NCDEX also the futures witnessed losses. The London spot rates and the COMEX futures fell throughout the week.

Gold futures at the COMEX division revived yesterday amid renewed buying at the lower prices. Silver prices at the COMEX however, declined marginally despite gain in the other metals. The dollar remains positive yesterday. The most active August contract of gold closed up \$1.10 at \$421.30 per ounce on the last trading day of the week. The contract dropped down \$2.50 or 0.6 per cent over the week.

Silver September contract on the other hand closed down 0.5 cents to close the week at \$6.99 per ounce. The benchmark contract lost 4 cents against the previous week's closing. This week several important US economic data released and these had some mixed influence on the dollar. However, overall the strength in the dollar pressurised both the metals. Follow through selling in gold and seasonal weakness in silver pulled back the market sentiment. Gold for the first couple of days tried to improve however, this week. Silver on the other hand improved only on the first day of the week and then fell throughout the week at the COMEX.

In the domestic markets too the same sentiment was seen following the international market sentiments. Gold prices remained in the negative territory in almost all the days this week. The July gold kg contract at the NCDEX closed today at Rs 6045, up by Rs 1 on the day and down by Rs 72. Silver also fell significantly this week. However, today the July contract at the NCDEX closed up Rs 8 at Rs 10453 per kg. For the week the contract dropped Rs 76.

Both the metals are being traded almost at their lowest levels. The markets are in oversold region. Stronger dollar remains the major factor behind this. Gold may remain weak for the first couple of days of the next week. There may be some recovery after that. The seasonal weakness is likely to continue in case of silver for few more days however, the slow improvement may resume again in the next week.

**Watchouts for Next Week:** US leading indicators, Jobless claims, Hosing starts.

## Exchange Rate in INR

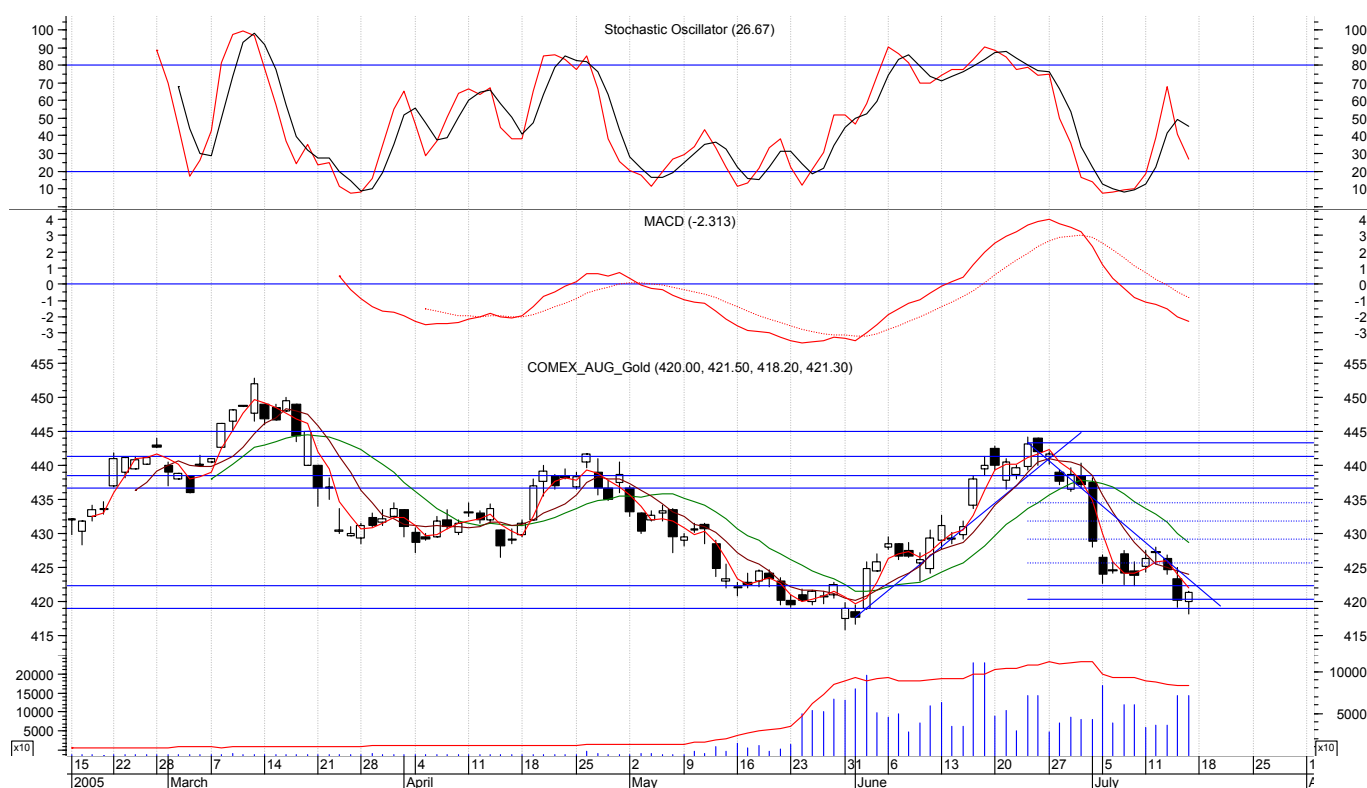
Currency	11/07	12/07	13/07	14/07	15/07
1 USD	43.56	43.53	43.52	43.53	43.52
1 Euro	52.35	52.90	53.16	52.54	52.78
1 GBP	75.92	76.80	77.22	76.67	76.69
100 Yen	38.91	39.10	391.5	38.93	38.83

## TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX August Contract (GCQ05)

Term: Short-term (Weekly)



**Candlesticks:** The formation of the candlestick pattern indicates weakness. The RSI (34.53) is in the neutral region and going upward.

**Moving Average:** The 3-day MA has cut the 7 -day from above and also below the 14-day MA. The 7-day MA is also below than the 14 -day MA. The price line is below than the MAs.

**MACD:** The MACD is in the negative territory (-2.13) however, it could not generate any signal.

**Stochastic:** The % K-line is below the % D-line and it is approaching the oversold territory.

The indicators are pointing towards the weakness to continue. All the indicators are indicating further downfall in the prices.

**Recommendation:** Remain short. New entrants may entry at the lower level.

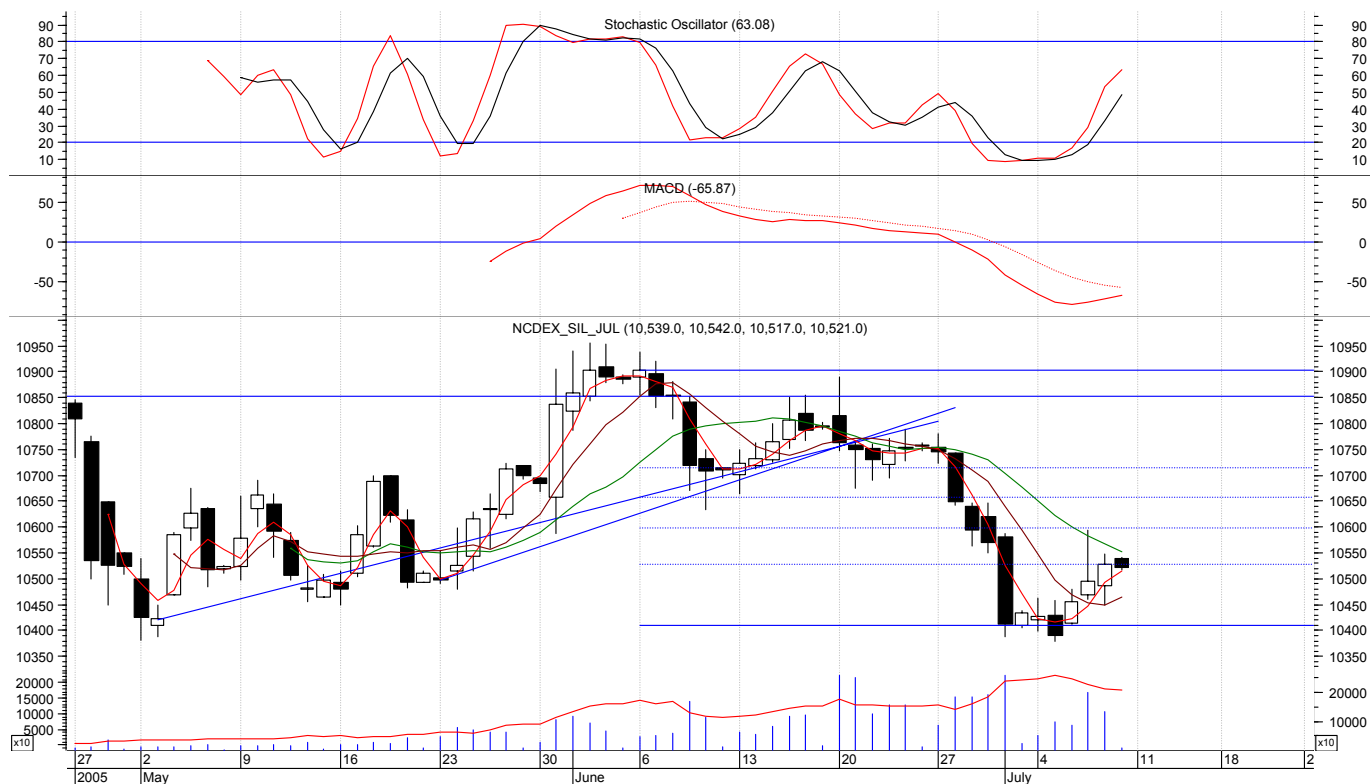
### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
COMEX August	420	419	422	424
NCDEX August	6099	6089	6119	6128

Stop-loss at Rs 6125.

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 weakness. However, it seems that there may be a bottom has formed. The RSI (41.80) is in the neutral region.

**MA:** The 3-day MA has cut the 7-day MA and also approaching to cut the 14-day MA. The 7-day MA is above the 14-day MA.

**MACD:** The MACD (-36.50) is in the negative territory however bent slightly downward.

**Stochastic:** The % K-line is below the % D-line and approaching to the oversold region.

The indicators are not indicating towards the weakness in the prices to continue for first few days. There may some slight recovery after that.

**Recommendation:** Trade cautiously and remain short. New entrants may enter the market at the lower prices.

#### Support and resistance Levels

Contract	S-1	S-2	R-1	R-2
NCDEX July	10517	10486	10561	10598

Stop loss at 10575 mark.

#### Disclaimer

The information and opinions contained in the document have been compiled from sources believed to be reliable. The company does not warrant its accuracy, completeness and correctness. Use of data and information contained in this report is at your own risk. This document is not, and should not be construed as, an offer to sell or solicitation to buy any commodities. This document may not be reproduced, distributed or published, in whole or in part, by any recipient hereof for any purpose without prior permission from the Company. IASL and its affiliates and/or their officers, directors and employees may have positions in any commodities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such commodities (or investment). Please see the detailed disclaimer at <http://www.agriwatch.com/Disclaimer.asp>

© 2005 Indian Agribusiness Systems Pvt Ltd.