

## PRECIOUS METALS (GOLD & SILVER)

July 18-23 2005

### MAJOR ACTIVITY HIGHLIGHTS

- Gold for August delivery at the COMEX fell by 70 cents to close at \$425.00 per ounce. The yellow metal however, improved 1 per cent for the week.
- Silver September contract on the other hand fell 2 cents to close at \$7.115 per ounce. Silver also had reached to the three week high on Thursday.
- Dollar came under pressure on surprised currency revaluation by China on Thursday. Before, that dollar weakened on Wednesday also. However, on Friday dollar rebounded against yen on uncertainty over the effects of Chinese currency revaluation.
- Crude futures closed 3 pct higher Friday, but after retreating over the past two sessions prices posted a loss for the week. Crude for September delivery closed at \$58.65 a barrel on the New York Mercantile Exchange, up \$1.52 for the session, down 48 cents, or 0.8 pct, for the week. Prices lost \$1.56 over the previous two days to close Thursday at their lowest in a month.
- China announced the revaluation of yuan against a basket of currency and lifting of yuan value by 2.1 per cent to 8.11 yuan.
- Further explosions and attempted terror attack in London was reported on Friday.

### PRICES

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

Date	Delhi	London
July 18, 2005	10415.00	699.50
July 19, 2005	10392.00	694.50
July 20, 2005	10387.00	696.50
July 21, 2005	10495.00	709.50
July 22, 2005	10515.00	711.50
July 23, 2005	10512.00	---

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

Date	Mumbai	London (am fix)	London (pm fix)
July 18, 2005	6041.00	421.60	420.90
July 19, 2005	6025.00	420.00	419.25
July 20, 2005	6029.00	420.65	422.15
July 21, 2005	6057.00	423.65	424.25
July 22, 2005	6083.00	426.35	425.00
July 23, 2005	6078.00	---	---

### Silver Futures (Rs/Kg)

Date	NCDEX AUG Contract of Silver	NCDEX Chandi 30 kg Silver SEPT Contract
July 18, 2005	10539.00	10600.00
July 19, 2005	10513.00	10600.00
July 20, 2005	10589.00	10600.00
July 21, 2005	10618.00	10600.00
July 22, 2005	10607.00	10600.00
July 23, 2005	10615.00	10600.00

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

Date	COMEX August Contract	NCDEX Gold AUG Contract	NCDEX Sona 1 kg AUGUST
July 18, 2005	420.4	6116.00	6200.00
July 19, 2005	418.9	6100.00	6200.00
July 20, 2005	420.6	6102.00	6200.00
July 21, 2005	424.2	6118.00	6200.00
July 22, 2005	424.5	6125.00	6290.00
July 23, 2005	---	6120.00	6290.00

## 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 oil this week declined overall, due to significant downfall on Wednesday and Thursday. This week saw unexpected decline in the US supply by 900000-barrel decline in the government report. The probable effects of the revaluation of Chinese yuan also pressurised the crude oil. The step by China is being seen as negative for crude oil futures.

The dollar this week fell overall against the major currencies. Firstly the US currency came under pressure on the indication by the Federal Reserve chief that the interest rate may go up but with the 'measured pace', which is continuing for last few times. During the weekend the unexpected revaluation of yuan by China pulled down the greenback. However, the dollar recovered some losses against the yen on Friday. It is expected that in the coming week the dollar may improve further on strong US economic data.

Spot rates of gold improved during the week in London as well as in Mumbai. At the NCDEX the gold kg futures gained throughout the week along with the COMEX futures however, remained within the range.

Silver prices this week gained 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 futures at the COMEX division of the NYMEX fell yesterday amid profit taking and relatively cheaper euro. Silver also fell yesterday at the COMEX. The yellow metal however, improved 1 per cent for the week. The metal

improved around \$6 over the past two days. Silver also had reached to the three week high on Thursday. Gold and silver both revived on Wednesday on weaker dollar due to indication by Mr. Greenspan that the interest rate may continue hike but in the measured pace. After that the revaluation of yuan by China against a basket of currency and lifting of yuan value by 2.1 per cent to 8.11 yuan per dollar made the dollar weaker against the major world rivals. Moreover, the further explosions and attempted terror attack in London also supported the yellow metal by contributing to its safe heaven value. After rising significantly both the metals fell on the last trading day of the week on profit taking.

In the domestic markets also both the metals behaved almost similarly following the international market advice. The August contract of gold kg at the NCDEX on Saturday, lost Rs 5 to close at Rs 6120 per 10 gm. Silver August however, closed up Rs 8 at Rs 10615 per kg. For the week both the metals improved modestly.

The present scenario is indicating towards the further improvement in the metals prices. Meanwhile, bombing incidents in Egypt may also support the yellow metal. However, seasonal weakness is restricting the smooth improvement. Gold is likely to trade within \$430 in the coming week. Silver is likely to continue the improvement slowly in the coming week.

**Watchouts for Next Week:** Existing home sales, Consumer confidence, Durable goods orders, Jobless claims, Employment cost index, US GDP 2<sup>nd</sup> quarter.

## Exchange Rate in INR

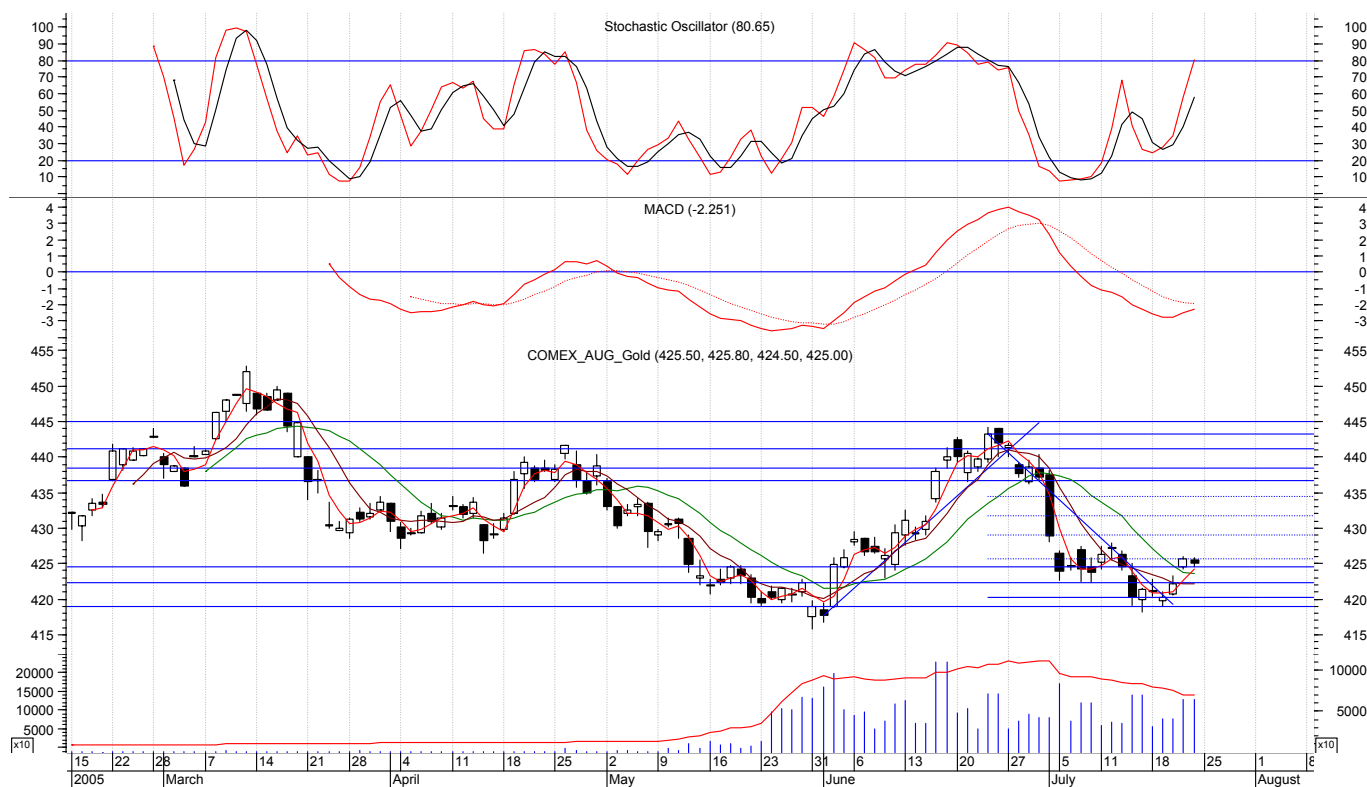
Currency	18/07	19/07	20/07	21/07	23/07
1 USD	43.54	43.56	53.54	53.51	43.39
1 Euro	52.56	52.34	52.53	52.84	52.85
1 GBP	76.39	75.91	75.62	75.82	76.14
100 Yen	38.86	38.81	38.48	38.61	39.11

## TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX August Contract (GCQ05)

Term: Short-term (Weekly)



**Candlesticks:** The formation of the candlestick pattern indicates weakness. The RSI (45.96) is in the neutral region.

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

**MACD:** The MACD is in the negative territory (-2.251) however, it has bent upwards.

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

The indicators are not pointing towards any clear direction rather a mixed outlook appears. The market players are trading cautiously. The prices are likely to remain range-bound.

**Recommendation:** Trade cautiously with a short-term outlook. Buy at any price below Rs 6100. Remain long with a long-term outlook.

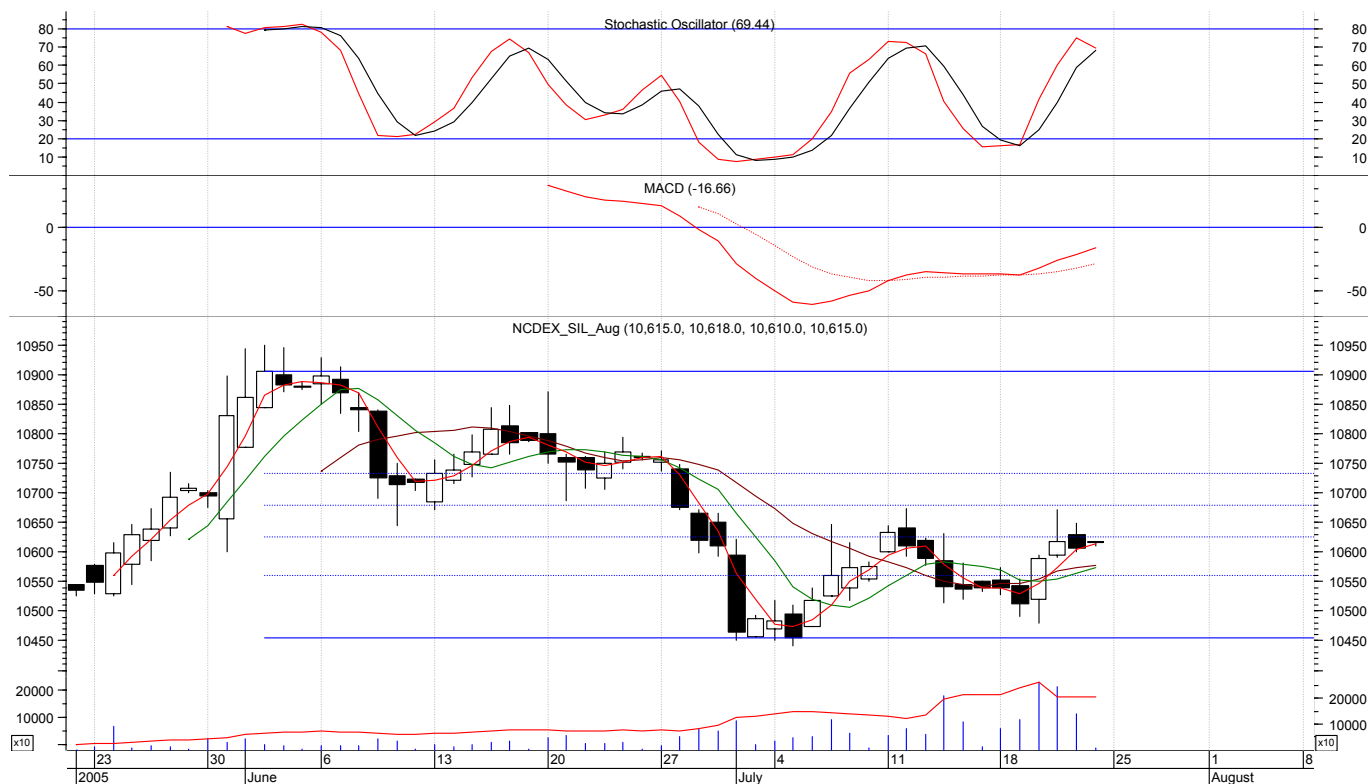
### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
COMEX August	424.5	422	425	429
NCDEX August	6105	6089	6129	6145

Stop-loss at Rs 6099.

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 weakness. It seems that there may be a temporary peak has formed The RSI (53.04) 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 has almost touched the 14-day MA from below.

**MACD:** The MACD (-16.66) is in the negative territory however it bounced back after touching its EMA from above.

**Stochastic:** The % K-line is above the % D -line and approaching to make a bearish crossover.

The indicators are not indicating towards a mixed situation. For the first few days the prices may fall hover, there is likely improvement in the later half of the week.

**Recommendation:** Trade cautiously and remain long. 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	10595	10561	10625	10679

Stop loss at 10590 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.