

## PRECIOUS METALS (GOLD & SILVER)

July04-09 2005

### MAJOR ACTIVITY HIGHLIGHTS

- On the last trading day of the week at the COMEX division of NYMEX gold for August delivery fell 30 cents to close at \$423.90 per ounce. The yellow metal lost \$5 on the week.
- Silver on the other hand continued the gains and the July contract added 4.5 cents to close at \$6.994 per ounce. For the week July silver added 14.3 cents.
- The dollar was down 0.1% against the euro, with Europe's shared currency changing hands at \$1.1959. The dollar climbed to a fresh 14-month high above 112.50 yen.
- Crude futures for August delivery climbed to a record \$61.90 a barrel on the New York Mercantile Exchange. It closed at \$59.63 a barrel, down \$1.10 on the last trading day, but it was up 88 cents, or 1.5%, for the week.
- Gold prices jumped more than one percent on Thursday after a series of explosions hit London's transport system, causing injuries and reportedly some fatalities. There were six bomb explosions reported in multiple locations.
- The jobs report, which showed the U.S. unemployment rate unexpectedly fell to 5% last month, the lowest in four years. U.S. payroll growth in June came in at 146,000. That's 48,000 under the 194,000 that had been expected by economists. But hiring over April and May was revised higher by a total of 44,000 jobs.

### PRICES

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

| Date          | Delhi    | London |
|---------------|----------|--------|
| July 04, 2005 | 10357.00 | 691.00 |
| July 05, 2005 | 10307.00 | 689.00 |
| July 06, 2005 | 10324.00 | 688.50 |
| July 07, 2005 | 10466.00 | 703.00 |
| July 08, 2005 | 10402.00 | 694.25 |
| July 09, 2005 | 10466.00 | ---    |

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

| Date          | Mumbai  | London (am fix) | London (pm fix) |
|---------------|---------|-----------------|-----------------|
| July 04, 2005 | 6125.00 | 427.60          | 427.40          |
| July 05, 2005 | 6114.00 | 426.00          | 423.75          |
| July 06, 2005 | 6085.00 | 423.85          | 423.50          |
| July 07, 2005 | 6155.00 | 427.85          | 425.20          |
| July 08, 2005 | 6085.00 | 423.75          | 424.40          |
| July 09, 2005 | 6080.00 | ....            | ....            |

### Silver Futures (Rs/Kg)

| Date          | NCDEX JULY Contract of Silver | NCDEX Chandi 30 kg Silver JULY Contract |
|---------------|-------------------------------|-----------------------------------------|
| July 04, 2005 | 10427.00                      | 10320.00                                |
| July 05, 2005 | 10390.00                      | 10250.00                                |
| July 06, 2005 | 10455.00                      | 10275.00                                |
| July 07, 2005 | 10495.00                      | 10449.00                                |
| July 08, 2005 | 10529.00                      | ....                                    |
| July 09, 2005 | 10521.00                      | ....                                    |

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

| Date          | COMEX August Contract | NCDEX Gold JULY Contract | NCDEX Sona 1 kg AUGUST Contract |
|---------------|-----------------------|--------------------------|---------------------------------|
| July 04, 2005 | ....                  | 6146.00                  | 6150.00                         |
| July 05, 2005 | 423.9                 | 6114.00                  | 6150.00                         |
| July 06, 2005 | 424.5                 | 6115.00                  | 6150.00                         |
| July 07, 2005 | 424.2                 | 6118.00                  | 6150.00                         |
| July 08, 2005 | 423.8                 | 6117.00                  | 6150.00                         |
| July 09, 2005 | ....                  | 6116.00                  | 6150.00                         |

## SUPPLY AND DEMAND STATISTICS of GOLD (LATEST)

| Particulars                          | 2003 | 2004 | % Change<br>2004vs03 | Q2'04 | Q3'Q4 | Q4'04 | Q1'05 | % Change<br>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<br>Funds And Similar | 39   | 133  | 237.20               | 5     | -2    | 114   | 89    | 439.90                      |
| Total identifiable<br>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 gained overall this week amid continuous demand. The increased demand took the crude futures significantly higher earlier this week. However, during the end of this week blasts in London and uncertainty over the storms in US pulled down the crude to offset some of the gains. The stronger crude is indicating towards long-term support to the yellow metal.

Dollar remained strong for the first half of the week amid positive US economic data and hike in the US interest rate. The Euro zone interest rate was kept unchanged at 2 per cent. However, after the series of blasts in London the dollar came under slight pressure and the mixed job data also pressurised the US currency. The dollar may come under further pressure in the coming week on US trade deficit data.

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 on the other hand revived this week. Prices at the Delhi spot market improved significantly this week. At the NCDEX also the futures recovered losses. The London spot rates and the COMEX futures gained throughout the week.

Gold futures continued the decline in the domestic as well as in the international markets. The yellow metal lost \$5 on the week. For the week July silver added 14.3 cents. Gold continued the downfall from the last week when gold fell

more than \$8 in a day. However, the yellow metal tried to restrict the intensity of the downfall. But the weakness is still there and the market players are cautious. It was reflected when gold failed to enjoy the premium given by the series of blasts in London on Thursday. Generally the metal rises after such type of incidents, as the investors like to invest on gold with a safe heaven interest. However, due to recent strength in dollar against the euro and yen the yellow metal remained quiet at present. Silver on the other hand got buying support at the lower prices and the US economic indicators that showed some strong growth in the industrial sector.

In the domestic markets gold futures at the NCDEX closed this week lower however the movement was not so sharp for the most of the days. The July Gold kg contract at the NCDEX finished the week at Rs 6116 per ounce, down by Rs 40 on the week. Silver July contract at the NCDEX on the other hand closed at Rs 10529 per kg on the last trading day of the week, up by Rs 87.

In the coming week gold prices may continue the weakness for the first few days however, thereafter may revive. The silver prices on the other hand are likely to continue the go up with a slow movement.

**Watchouts for Next Week:** US Trade deficit data, CPI data, PPI data, Jobless claims, Industrial production, consumer sentiments.

## Exchange Rate in INR

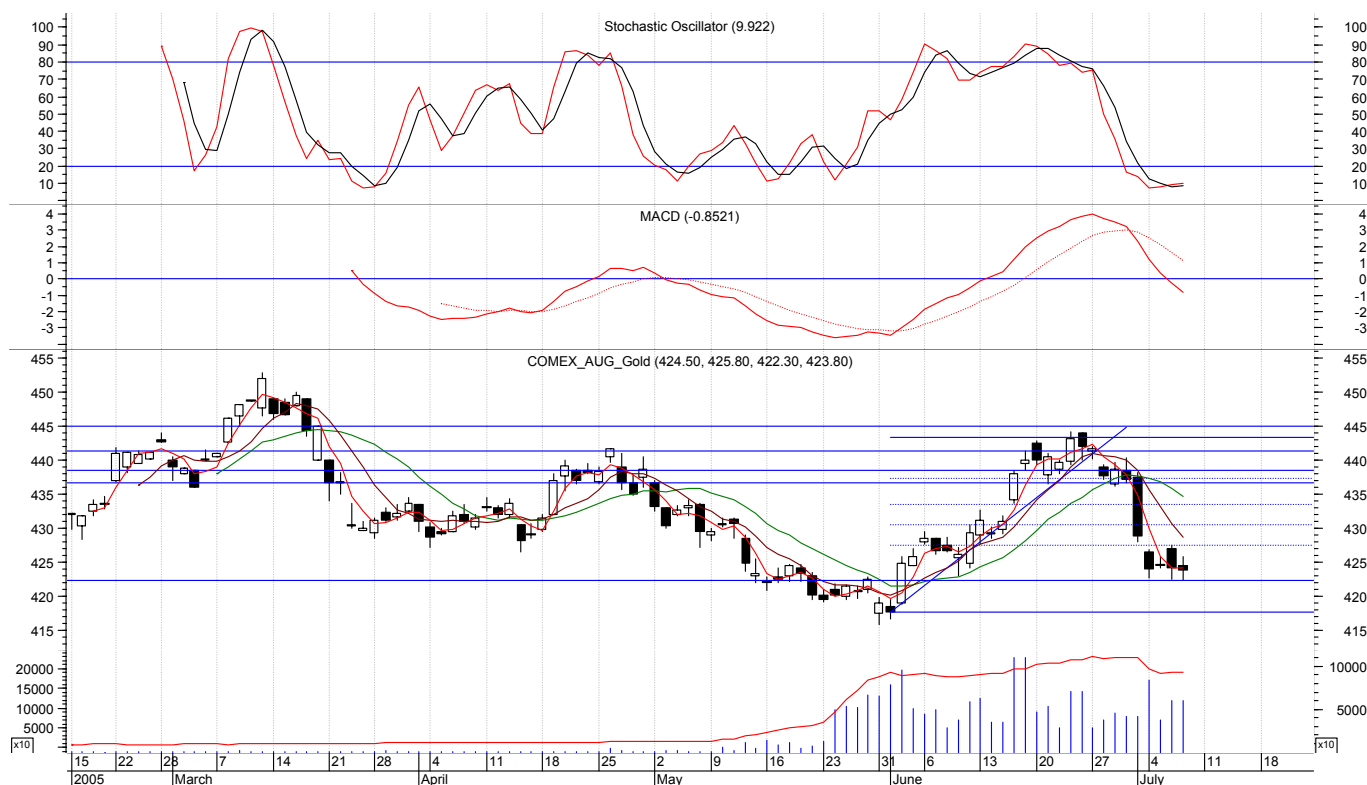
| Currency | 04/07 | 05/07 | 06/07 | 07/07 | 08/07 |
|----------|-------|-------|-------|-------|-------|
| 1 USD    | 43.56 | 43.57 | 43.57 | 43.64 | 43.63 |
| 1 Euro   | 51.95 | 51.84 | 52.05 | 52.01 | 52.02 |
| 1 GBP    | 76.72 | 76.45 | 76.67 | 76.43 | 75.99 |
| 100 Yen  | 39.03 | 39.95 | 39.08 | 38.88 | 38.85 |

## TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX August Contract (GCQ05)

Term: Short-term (Weekly)



**Candlesticks:** The formation of the candlestick pattern indicates a weakness. The RSI (36.63) is in the neutral region.

**Moving Average:** The 3-day MA is below than the 7 -day and 14-day MAs. 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 (-0.8512) however, it could not generate any signal.

**Stochastic:** The % K-line is below the % D-line and both have reached the oversold region. The % k-line has made a bullish crossover.

The indicators are pointing towards the weakness to continue. However, the oversold condition in indicating towards a possible trend reversal within two-three days.

**Recommendation:** the long position should hold with along-term outlook. New entrants may check the support level for entry with a longer-term outlook.

### Support and resistance Levels

| Contract     | S-1  | S- 2 | R- 1 | R - 2 |
|--------------|------|------|------|-------|
| COMEX August | 422  | 420  | 425  | 427   |
| NCDEX July   | 6109 | 6091 | 6120 | 6129  |

Stop-loss at Rs 6091.

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 underlying strength at present. The RSI (41.30) is in the neutral region.

**MA:** The 7-day MA is below the 14 -day MA but bending upwards. The 3-day MA has cut the 7-day MA and approaching the 14-day MA from below. The price line remains above the 3 -day and 7 -day MAs.

**MACD:** The MACD (-65.87) is in the negative territory however bent slightly upward.

**Stochastic:** The % K-line and the % D -line both are in the neutral region and going upward. The % K-line is above the % D -line below.

The indicators are not indicating towards the strength in the prices. The open interest the volume both are good. The upwards movement may continue or more days.

**Recommendation:** Remain long and gain in short-term.

#### Support and resistance Levels

| Contract   | S-1   | S- 2  | R- 1  | R - 2 |
|------------|-------|-------|-------|-------|
| NCDEX July | 10529 | 10493 | 10585 | 10600 |

Stop loss at 10493 mark.

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