

PRECIOUS METALS (GOLD & SILVER)

27 June-2nd July 2005

MAJOR ACTIVITY HIGHLIGHTS

- Gold for August delivery closed at \$428.80 an ounce, down \$8.30, on the New York Mercantile Exchange. Gold finished 3% lower for the week.
- July silver closed at \$6.851 an ounce, down 17.7 cents for the day and down 6% for the week.
- The dollar soared to a 13-month high against the euro and a nine-month peak versus the yen Friday, as a strong manufacturing report buttressed the sentiment that the U.S. economy is continuing to outperform Europe and Japan. In a light trading session ahead of the holiday weekend, the euro tumbled 1.1% to \$1.1951. The dollar was last up 1% at 111.74 yen.
- Crude-oil futures closed with a 4% gain Friday after suffering from weakness over the past three sessions. Prices posted a nearly 2% loss for the week. Crude for August delivery closed at \$58.75 a barrel, up \$2.25. A week ago, the benchmark contract closed at \$59.84.
- The ISM index rose to a higher-than-expected 53.8% in June from 51.4% in May. Prices paid fell to 50.5% from 58.0% in May, the lowest since February 2002. Readings over 50% indicate expansion. The ISM has been above 50% for 25 straight months.
- The Fed raised its target lending rate to 3.25% from 3% and left the door open for more. The committee slightly modified its assessment of the economy from the May statement, reflecting recent moderate inflation data and a more upbeat outlook for the economy.

PRICES

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

Date	Delhi	London
June 27, 2005	10825.00	724.00
June 28, 2005	10768.00	721.50
June 29, 2005	10587.00	707.00
June 30, 2005	10608.00	710.00
July 01, 2005	10492.00	702.00
July 02, 2005	10348.00	---

Silver Futures (Rs/Kg)

Date	NCDEX JULY Contract of Silver	NCDEX Chandi 30 kg Silver JULY Contract
June 27, 2005	10745.00	11534.00
June 28, 2005	10648.00	11534.00
June 29, 2005	10595.00	10223.00
June 30, 2005	10571.00	10455.00
July 01, 2005	10411.00	10350.00
July 02, 2005	10434.00	10350.00

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

Date	Mumbai	London (am fix)	London (pm fix)
June 27, 2005	6286.00	439.35	439.30
June 28, 2005	6270.00	437.50	437.00
June 29, 2005	6232.00	434.90	435.80
June 30, 2005	6232.00	436.80	437.10
July 01, 2005	6232.00	434.20	432.60
July 02, 2005	6232.00	---	---

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

Date	COMEX August Contract	NCDEX Gold JULY Contract	NCDEX Sona 1 kg AUGUST
June 27, 2005	441.7	6266.00	6200.00
June 28, 2005	437.7	6228.00	6200.00
June 29, 2005	438.6	6235.00	6200.00
June 30, 2005	437.1	6220.00	6200.00
July 01, 2005	428.8	6151.00	6200.00
July 02, 2005	---	6157.00	6200.00

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

Crude oil prices fell this week due to selling pressure and expectation that the supply would rise. However, on the last trading day the US economic data that indicated an increase in demand boosted the market sentiments up. Higher crude prices indicate an inflationary pressure.

The US currency is going through one of its best times against its major rival in the international markets. The dollar gained significant ground after the Institute for Supply Management reported earlier Friday that U.S. manufacturing grew at a faster pace. The interest rate hike by the Federal Reserve also boosted the greenback. The Strong Japanese data could not support yen. The stronger dollar pressurised gold and silver throughout the week.

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

Silver prices continued the downfall this week. Prices at the Delhi spot market declined significantly this week. At the NCDEX also the futures declined drastically. The London spot rates and the COMEX futures went down smoothly.

Gold futures fell drastically on the last trading day of the week at the COMEX division of NYMEX. The pressure of interest rate hike by the Federal Reserve to 3.25% put huge pressure on the yellow metal. Gold finished 3% lower for the week. Going in line the July silver closed down 6% for

the week. Metals futures trading on the exchange will remain closed Monday for the July 4th holiday. On Thursday, Fed chief Alan Greenspan signaled that further rate hikes are likely in the pipeline. Also the inability of the yellow metal to remain above \$440 further pressurised the market sentiments. Seasonally also the fall in gold prices was not a surprise. Recent strength in dollar, higher consumer confidence etc. all remains bearish for the yellow metal. However, large deficit at the personal as well as government level are still indicating support for gold in longer term. The market is now waiting for the G-8 meeting in the coming week to show some directions.

In the domestic market too both the metals fell significantly. The July contract of gold at the NCDEX closed down Rs 71 at Rs 6151 per 10 gm. The July silver on the other hand closed at Rs 10411 per kg, down by Rs 160. Both the metals fell significantly throughout the week.

Due to holiday in US markets on Monday the metals at the domestic markets also are likely to remain rang-bound with weakness for the first couple of days in the next week. There may be some recovery in the prices at the later half of the coming week.

Watchouts for Next Week: G-8 meeting, Us factory sales, ISM Services, Jobless Claims, Non-farm Payroll data, Consumer credit data.

Exchange Rate in INR

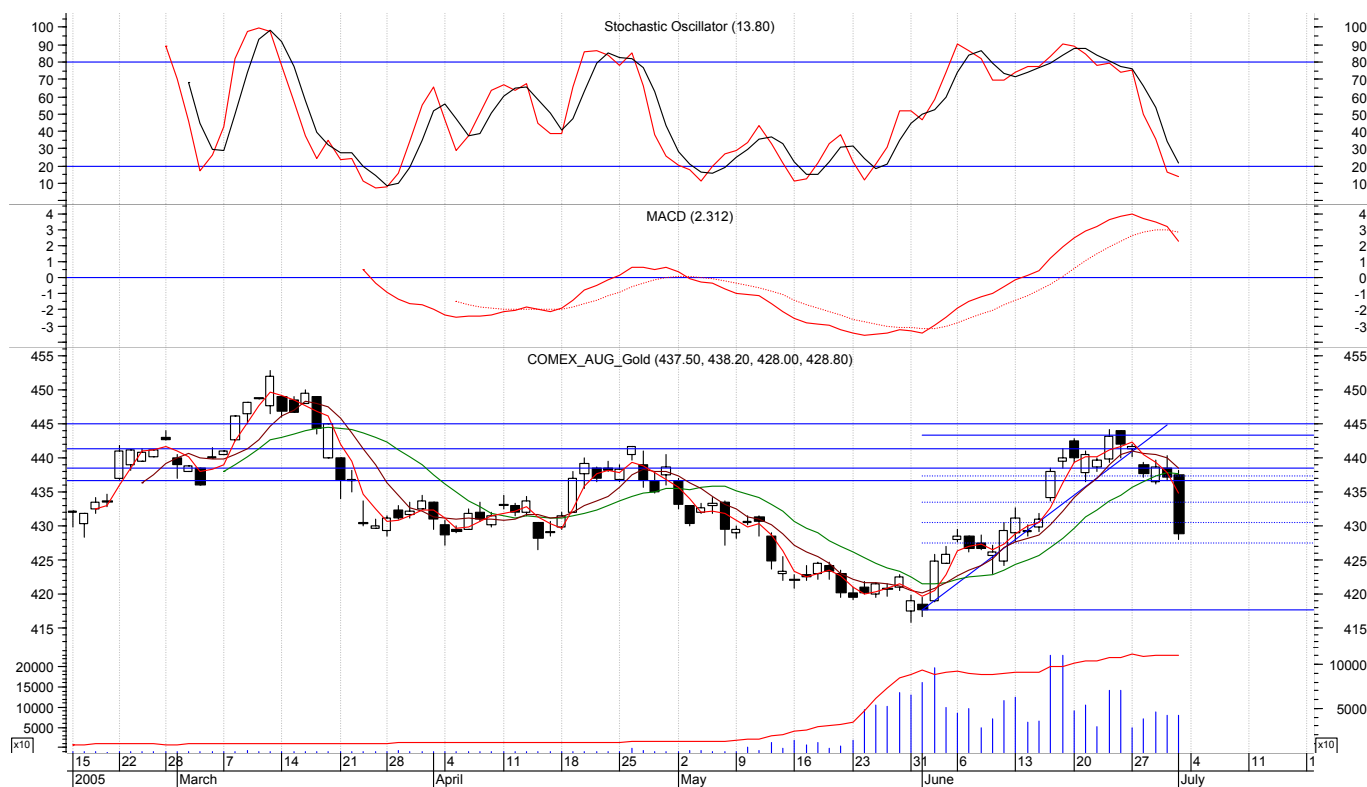
Currency	27/06	28/06	29/06	30/06	01/07
1 USD	43.49	43.56	43.55	43.51	43.53
1 Euro	52.82	52.87	52.44	52.68	52.38
1 GBP	79.39	79.49	79.03	78.75	77.59
100 Yen	39.80	39.69	39.54	39.51	39.19

TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX August Contract (GCQ05)

Term: Short-term (Weekly)



Candlesticks: The formation of the candlestick pattern indicates towards a lower opening. The RSI (42.03) is in the neutral region. The candlestick pattern of the last day also suggests that it may have formed a temporary peak.

Moving Average: The 3-day MA is below than the 7 -day and 14-day MAs. However, the 7-day MA is above the 14 -day MA. The price line is below than the MAs.

MACD: The MACD is in the positive territory (2.132) however, it has made a bearish crossover with its EMA.

Stochastic: The % K-line is below the % D-line and it has reached the oversold region.

The indicators are pointing towards a weak scenario. Almost all the indicators are indicating the prices to go down further. However, the volume has declined

significantly not supporting the recent downfall. There is strong support at around 427 marks.

Recommendation: the long position should hold. New entrants may check the support level for entry.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
COMEX August	427	426.6	430	431
NCDEX July	6145	6134.8	6165	6169

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. The RSI (26.71) is in the oversold. The candlesticks are indicating that there may be a partial trend reversal.

MA: The 7-day MA is below the 14 -day MA. The 3-day MA is below both the 14-day MA and 7-day MA. The price line remains below the MAs.

MACD: The MACD (-53.77) came down to the negative territory and going downward further.

Stochastic: The % K-line and the % D-line both are in the oversold region and the % K-line has just cut the % D -line below.

The indicators are not indicating towards the weakness in the prices. The open interest is up significantly however, the volume went down. There may be a trend reversal this week.

Recommendation: If the prices cross the 10500 marks remain long. New entrants may enter the market at this levels by buying.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX July	10410	10390	10450	10525

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