

PRECIOUS METALS (GOLD & SILVER)

August 01-06, 2005

MAJOR ACTIVITY HIGHLIGHTS

- On the last trading day of the week at the COMEX December delivery for gold slipped 90 cents to close at \$442.80 per ounce. However, the yellow metal gained \$7 for the week, an increase of 1.6 per cent.
- Silver September contract at the COMEX declined 9.4 cents to close at \$7.158 per ounce. The metal lost 1.4 per cent on the week.
- In late U.S. trading on Friday, the dollar was quoted at 111.96 yen, up 0.6% against its Japanese counterpart from late Thursday. The euro was changing hands at \$1.2354, down 0.2% against the dollar.
- Crude oil for September delivery climbed as high as \$62.35 a barrel on the New York Mercantile Exchange – near the all-time intra-day high of \$62.50 it touched on Wednesday - before closing up 93 cents, or 1.5%, at \$62.31. A week ago, the contract closed at \$60.57.
- The European Central Bank kept unchanged the interest rate while, the Bank of England reduced the interest rate by 25 basis points to 4.5 per cent.
- The Non-farm payroll data showed inclusion of 207000 jobs in the month of July, which is higher than the expectation. The unemployment rate remained at 5 per cent. The weekly jobless claims also reduced to 312000 against the expectation.

PRICES

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

Date	Delhi	London
August 01, 2005	10626.00	725.00
August 02, 2005	10618.00	724.00
August 03, 2005	10633.00	725.50
August 04, 2005	10638.00	722.50
August 05, 2005	10620.00	720.25
August 06, 2005	---	---

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

Date	Mumbai	London (am fix)	London (pm fix)
August 01, 2005	---	431.35	431.65
August 02, 2005	6175.00	431.85	431.00
August 03, 2005	6201.00	433.60	434.60
August 04, 2005	6241.00	435.60	438.60
August 05, 2005	6259.00	437.50	438.25
August 06, 2005	6256.00	....	....

Silver Futures (Rs/Kg)

Date	NCDEX AUG Contract of Silver	NCDEX Chandi 30 kg Silver SEPT Contract
August 01, 2005	10707.00	10655.00
August 02, 2005	10709.00	10655.00
August 03, 2005	10745.00	10655.00
August 04, 2005	10714.00	10655.00
August 05, 2005	10633.00	10655.00
August 06, 2005	10643.00	10655.00

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

Date	COMEX August Contract	NCDEX Gold AUG Contract	NCDEX Sona 1 kg AUGUST
August 01, 2005	437.7	6167.00	6120.00
August 02, 2005	437.7	6176.00	6140.00
August 03, 2005	442.7	6227.00	6170.00
August 04, 2005	443.7	6242.00	6170.00
August 05, 2005	442.8	6232.00	6190.00
August 06, 2005	....	6233.00	6190.00

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 prices at the NYMEX this week ended with a 3 per cent gain US refinery problems over the last two weeks. The falling inventory also provided support to the crude prices. More over strong economic data indicated that demand may outpace the supply. The stronger crude prices provide support to the gold as an alternative investment for hedging.

The dollar on Friday improved against the euro and the yen on stronger than expected US job data. However, the greenback remained weak against its major rivals over this week. The euro got support from the survey that showed the European service industries grew at a faster pace in July. Among other negative factors for the dollar were reports that the Middle East Oil proceeds were being redirected from dollar to euro and Russia's basket of currency announcement.

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 except for the last couple of days.

Silver prices declined this week in the futures. Prices at the Delhi spot market improved overall. The NCDEX futures along with the COMEX declined on the last couple of days. The London spot rates also declined this week.

Gold futures on Friday declined after a continuous rise for the last few days. Silver also lost some grounds. Silver September contract at the COMEX declined 9.4 cents to close at \$7.158 per ounce. The metal lost 1.4 per cent on the week. Both the metals remained under pressure on the stronger dollar against the euro and the yen. Dollar got the boost after the release of Non-farm payroll data showed an

addition of 207000 jobs in the month of July. This was more than the expectation by various market players. The stronger job data gave an indication that the Federal Reserve in its next meeting on monetary policy on the coming Tuesday would continue to increase the interest rate. For the week due to improvement in euro against the dollar the yellow metal improved significantly and on Thursday the most active contract reached near \$444 per ounce, the highest level since June 29.

In the domestic markets too the yellow metal improved significantly on the week. However, silver declined overall on the week despite improving most of the days of this week. On Saturday the August contract of the yellow metal gained Rs 1 at the NCDEX to close Rs 6233 per 10 kg. Silver August contract at the NCDEX gained Rs 10 to close at Rs 10643 per kg.

Despite the weakness in the prices during the end of this week the yellow metal posted a smooth gain over the week. The decision on the US interest rate in the early next week may put further pressure on the gold prices however, the planned strike in the South African gold mines likely to start this Sunday and release of US trade deficit data later in the coming week are expected to provide further support to the yellow metal. Silver prices also are likely to remain weak for the first half of the coming week and there may be improvement later in silver too.

Watch-outs for Next Week: Interest rate decision by the Federal Reserve, US Economy-Productivity, Wholesale inventory, Jobless claims, Retail sales, Import price index, Trade gap, Consumer sentiment.

Exchange Rate in INR

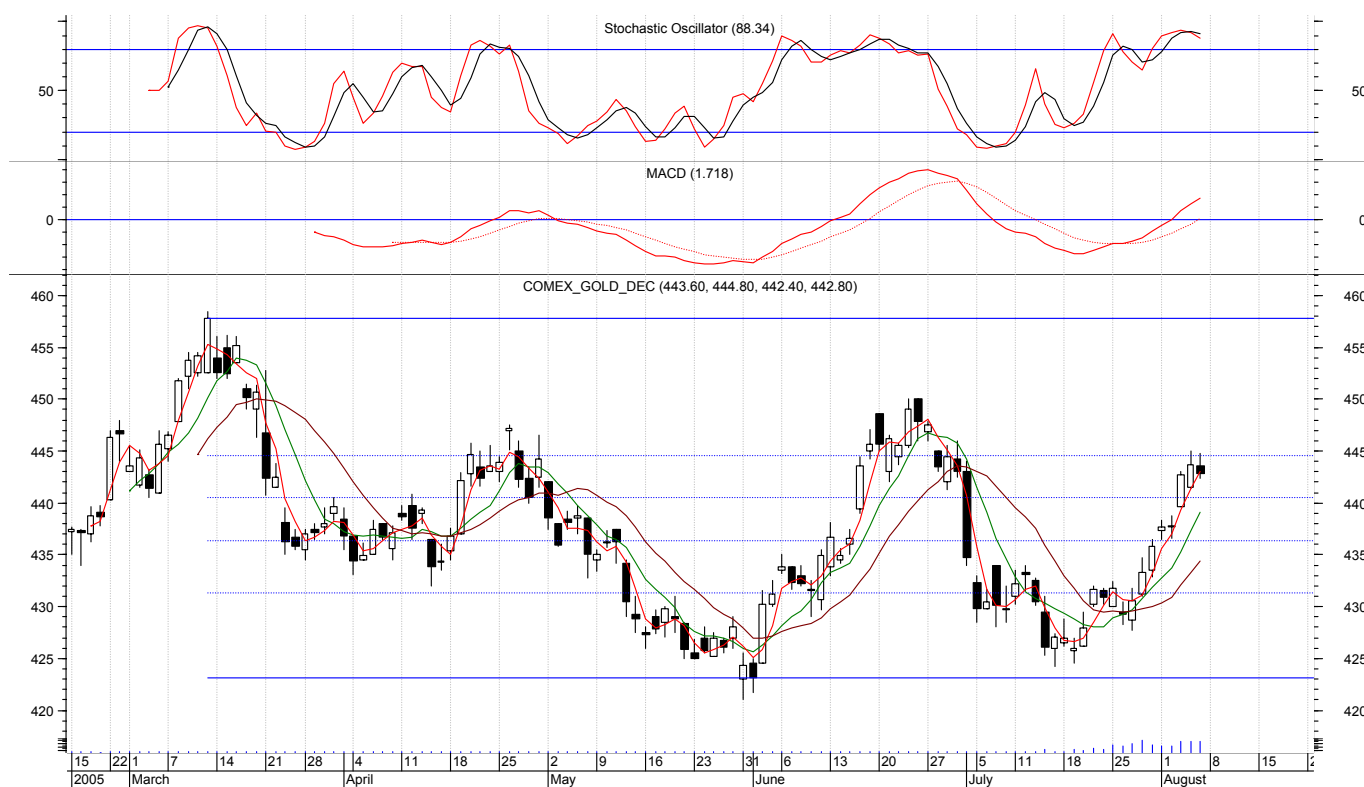
Currency	01/08	02/08	03/08	04/08	05/08
1 USD	43.45	43.46	43.51	43.51	43.50
1 Euro	52.87	53.08	53.04	53.66	53.80
1 GBP	7.48	76.93	77.06	77.35	77.31
100 Yen	38.70	38.94	38.98	39.23	38.98

TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



Candlesticks: The formation of the candlestick pattern indicates the improvement may continue still. However, three soldiers were not formed. The RSI (65.03) is in the higher level.

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 has reached the positive territory (1.718) and the gap with its EMA is widening.

Stochastic: The % K-line has cut the % -D line in the overbought region.

The indicators are indicating a mixed situation. For the short-term the outlook is weak however, the long-term outlook is still bullish.

Recommendation: Remain long with a long-term outlook.

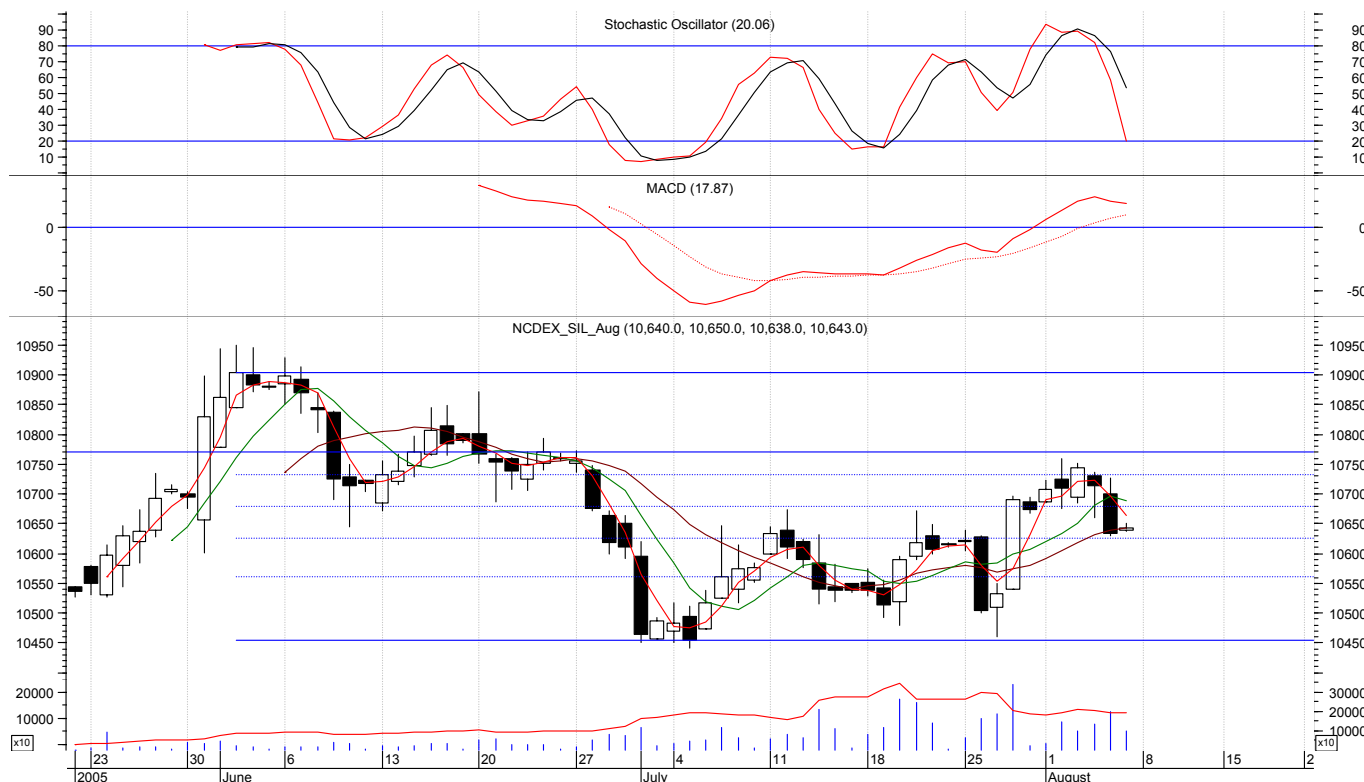
Support and resistance Levels

Contract	S-1	S-2	R-1	R-2
COMEX August	440	438	444	445
NCDEX August	6226	6217	6240	6244

Stop-loss at Rs 6205 at the NCDEX and \$439.8 at the COMEX.

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 formed a rising window. A marginal improvement was seen on the closing day after a decline on the previous day. The RSI (51.29) is in the neutral region.

MA: The 3-day MA has cut 7-day MA from above however, remained above 14-day MA. The 7-day MA is above the 14-day MA.

MACD: The MACD (17.87) is in the positive territory. Though there is a downward bend however it is above its signal line.

Stochastic: The % K-line has touched the oversold line however the % D-line is well above that region.

The indicators failed to provide any clear direction for the prices. There is however, indication of a recovery after two-three days.

Recommendation: Remain long with a long-term outlook.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX July	10625	10588	10665	10680

Stop loss at 10610 mark.

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