

PRECIOUS METALS (GOLD & SILVER)

August 22-27, 2005

MAJOR ACTIVITY HIGHLIGHTS

- The COMEX December delivery of gold fell \$1 to close at \$442.20 per ounce. The yellow metal lost 10 cents over the week.
- September silver contract lost another 9 cents to close the week at \$6.742 per ounce. Silver declined 4 per cent over the week.
- The euro was changing hands at \$1.2282, down 0.1% on the day, after climbing above \$1.23 after Greenspan's speech. The dollar finished the day at 110.16 yen, up 0.1% from late Thursday.
- Crude for October delivery traded as high as \$67.95 a barrel on the New York Mercantile Exchange Friday to mark the latest intra-day record for a benchmark contract. But prices dropped \$1.36, or 2%, late in the session to close at a three-day low of \$66.13. The contract closed up 0.1% from week-ago close of \$65.79.
- The U.S. durable goods order fell lower than the expectations. Orders for new durable goods fell 4.9 per cent in July.
- The supply of new homes on the market increased 1.8% in July to a record 460,000, which represents a lean four-month supply at July's sales pace. It's the tightest inventory in relation to sales since October.

PRICES

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

Date	Delhi	London
August 22, 2005	10409.00	699.00
August 23, 2005	10532.00	705.00
August 24, 2005	10429.00	696.50
August 25, 2005	10413.00	694.50
August 26, 2005	10312.00	684.50
August 27, 2005	---	---

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

Date	Mumbai	London (am fix)	London (pm fix)
August 22, 2005	6281.00	437.50	439.65
August 23, 2005	6315.00	439.85	439.35
August 24, 2005	6308.00	438.25	440.00
August 25, 2005	6312.00	439.00	438.85
August 26, 2005	6302.00	438.50	436.75
August 27, 2005	6294.00	....	....

Silver Futures (Rs/Kg)

Date	NCDEX SEP Contract of Silver	NCDEX Chandi 30 kg Silver SEPT Contract
August 22, 2005	10591.00	10549.00
August 23, 2005	10515.00	10549.00
August 24, 2005	10477.00	10500.00
August 25, 2005	10385.00	10500.00
August 26, 2005	10271.00	10500.00
August 27, 2005	6279.00	10500.00

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

Date	COMEX DEC. Contract	NCDEX Gold SEP Contract	NCDEX Sona 1 kg OCT.
August 22, 2005	443.0	6289.00	6300.00
August 23, 2005	444.3	6292.00	6257.00
August 24, 2005	442.2	6289.00	6257.00
August 25, 2005	443.1	6298.00	6077.00
August 26, 2005	442.1	6288.00	6179.00
August 27, 2005	....	6292.00	6179.00

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 futures overall gained this week amid supply worries and expectations of hurricane attack. On the last trading day the crude futures went up to record high however, after that gave up most of the gains on speculation that the Hurricane Katrina may not affect the Gulf of Mexico so negatively. The expectation that the US government may try to solve supply problems also pulled down the crude prices on the last hour. However, strong trend of crude prices are expected to support the yellow metal.

The dollar this week remained volatile against the euro and the yen. The yen got support from the expectation of the reelection of the Prime Minister of Japan. The euro showed some improvement on the expected good German confidence data. Dollar on the other hand came under pressure on lower than expected durable goods order data of the US. On the last trading day the cautionary remarks by the Federal Reserve also put some pressure on the greenback. However, it recovered after that.

Spot rates of gold declined during the week in London as well as in Mumbai slightly. At the NCDEX the gold kg futures fell throughout the week along with the COMEX futures. The movement remained range-bound.

Silver prices declined this week in the futures as well as in the spot markets drastically. The NCDEX futures along with the COMEX fell significantly throughout the week. The London spot rates also fell.

Gold fell on the last trading day at the COMEX on weak market sentiments. Silver continued the sharp decline amid heavy selling pressure. The COMEX December delivery of

gold fell \$1 to close at \$442.20 per ounce. September silver contract lost another 9 cents to close the week at \$6.742 per ounce. The yellow metal lost 10 cents over the week. Silver on the other hand declined 4 per cent over the week. Gold got support from the higher oil prices and some weakness in the dollar this week. Silver remained under pressure due to fund liquidation. The breaking up of major support levels also put further pressure on silver. This week US durable data came at lower than expectation and that also pulled down the dollar a bit. The failure of gold to make a break out on the higher side also pressurised silver, which generally follow the yellow metal.

In the domestic markets too the metals maintained the same undertone throughout the week. However, on the last trading day the September contract of gold kg futures at the NCDEX closed at Rs 6292 per 10 gm, up by Re 4. Silver September contract at the NCDEX also went up Rs 8 to close at Rs 10279 per kg. Silver on Friday declined Rs 117 on heavy selling intentions.

In the coming week the yellow metal may see some weakness with a range-bound movement. Silver also may remain weak for the first half of the week and after that there may be some improvement on renewed buying at lower prices.

Watch-outs for Next Week: Consumer confidence, Factory orders, GDP, Chicago PMI, Consumer Spending, Non-farm payroll data, Core price index, Average hourly earning etc.

Exchange Rate in INR

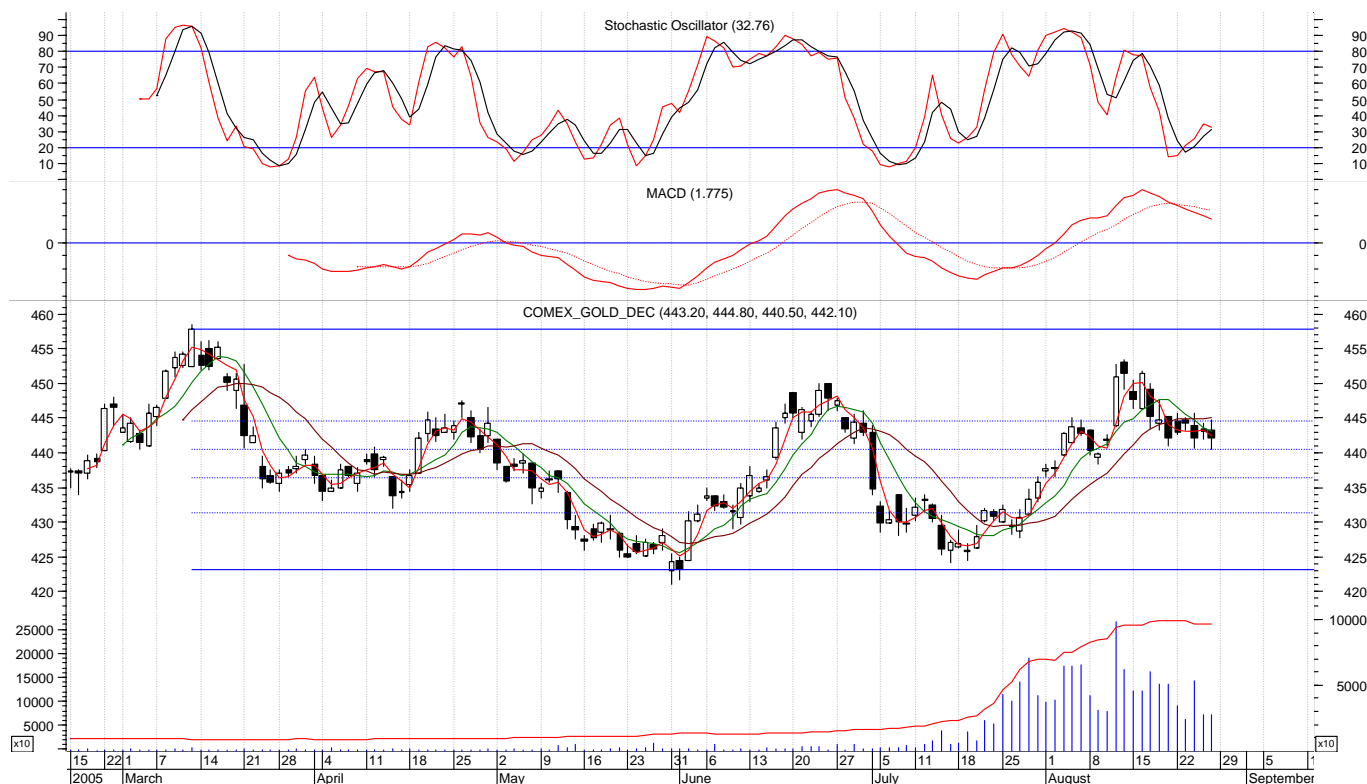
Currency	22/08	23/08	24/08	25/08	26/08
1 USD	43.59	43.67	43.72	43.76	43.73
1 Euro	53.06	53.38	53.23	53.86	53.82
1 GBP	78.35	78.59	78.40	79.04	78.86
100 Yen	39.56	39.72	39.54	39.85	39.72

TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



Recommendation: Remain short with a short-term outlook.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
COMEX December	440.4	438	444.5	447.6
NCDEX August	6288	6274	6296	6312

Candlesticks: The candlestick formation indicates towards the indecisiveness. The RSI (51.19) is in the neutral level however, it reached the lowest level within 14 periods.

Moving Average: The 3-day MA remains below both 7 -day and 14 -day MAs. The 7-day MA is however very nears the 3 -day MA.

MACD: The MACD is in the positive territory (1.775) but it has made a bearish crossover with the signal line.

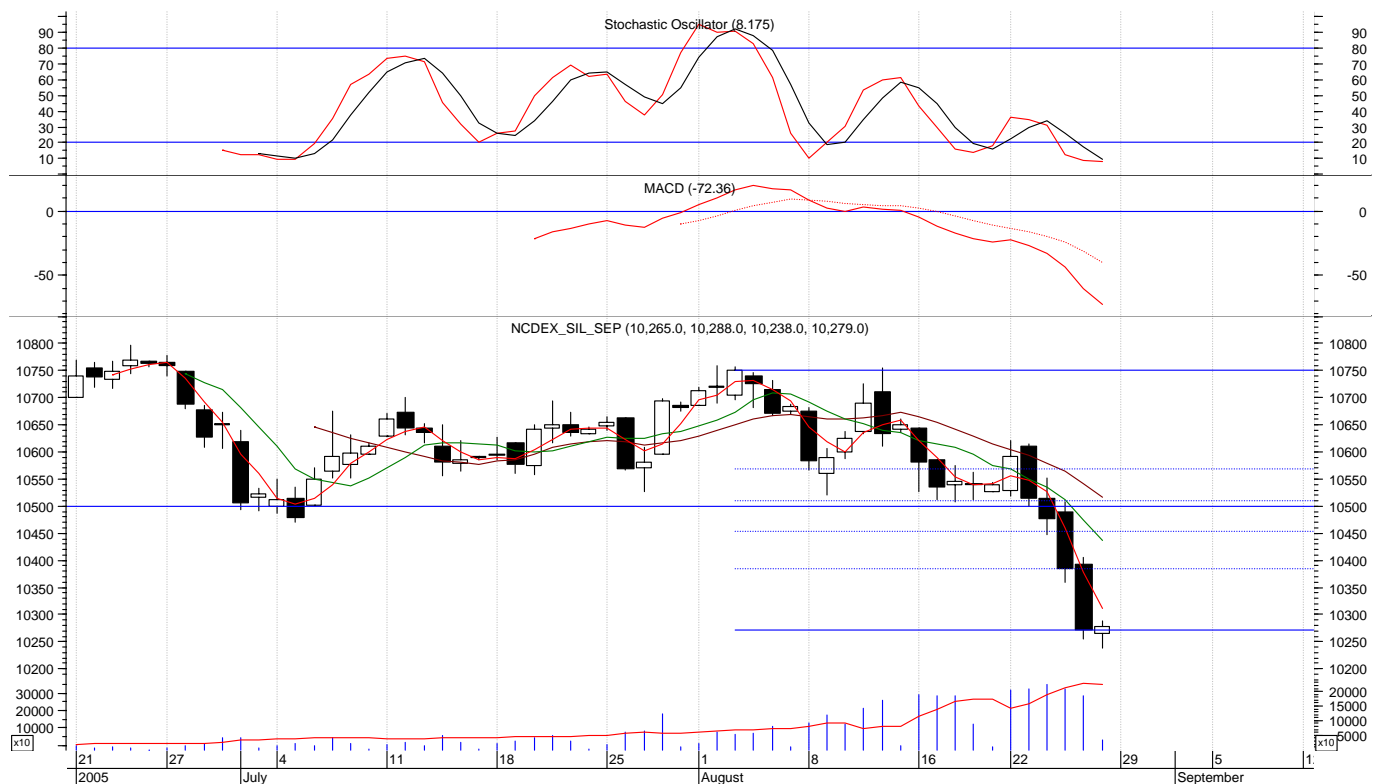
Stochastic: The % K-line has come out from the oversold region however, it has bent down again. The % -D line remains below it.

All the indicators are indicating towards the weakness in the prices. There is possibility of a further downfall.

Stop-loss at Rs 6291 at the NCDEX and \$445 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 September Contract
Periodicity: Weekly



Candlestick: The candlestick pattern shows four consecutive long black candles formed. The RSI (26.07) is in the oversold region.

MA: The 3-day MA is below the 7-day and 14-day MA. The 7-day MA is below the 14-day MA.

MACD: The MACD (-72.36) is in the negative territory. The gap between MACD and the EMA is widening.

Stochastic: Both the % K-line and the % D -line are in the oversold region. The % K-line has bend upwards slightly.

All the indicators are indicating towards the further weakness in the coming week.

Recommendation: Remain short.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX July	10255	10238	10316	10384

Stop loss at 10350mark.

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