

## PRECIOUS METALS (GOLD & SILVER)

August 08-13, 2005

### MAJOR ACTIVITY HIGHLIGHTS

- On the last trading day of the week at the COMEX December delivery for gold added 50 cents to close at \$451.40 per ounce. The yellow metal gained almost \$9 for the week, an increase of 1.9 per cent over the past week.
- Silver September contract at the COMEX declined 9.3 cents to close at \$7.09 per ounce. The metal gained 1.5 per cent in the previous session.
- The euro was trading at \$1.2463 before Friday's trade report, gained to \$1.2468 right after the data hit and was trading back down to \$1.2437 in late action. The dollar was at 109.42 yen and fell to 109.34.
- Crude for September delivery traded as high as \$67.10 a barrel on the New York Mercantile Exchange, a level that has never been reached before by a futures contract. Prices closed at \$66.86, up \$1.06, or 1.6%, for the session.
- The Federal Open Market Committee (FOMC) hiked the interest rate by 25 basis points to 3.5 per cent. The U.S. retail sales increased 1.8 percent last month against the expectation of 2.1 per cent increase.
- The US Trade deficit data came at \$58.8 billion, an increase of 6.1 per cent and also more than 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 08, 2005	10564.00	701.30
August 09, 2005	10429.00	699.50
August 10, 2005	10477.00	707.00
August 11, 2005	10561.00	708.50
August 12, 2005	10654.00	717.50
August 13, 2005	10555.00	---

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

Date	Mumbai	London (am fix)	London (pm fix)
August 08, 2005	6255.00	436.85	436.20
August 09, 2005	6230.00	434.70	433.30
August 10, 2005	6242.00	436.30	436.55
August 11, 2005	6275.00	437.80	440.75
August 12, 2005	6392.00	447.25	447.25
August 13, 2005	6380.00	....	....

### Silver Futures (Rs/Kg)

Date	NCDEX AUG Contract of Silver	NCDEX Chandi 30 kg Silver SEPT Contract
August 08, 2005	10492.00	10600.00
August 09, 2005	10507.00	10475.00
August 10, 2005	10552.00	10475.00
August 11, 2005	10638.00	10600.00
August 12, 2005	10554.00	10620.00
August 13, 2005	10571.00	10540.00

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

Date	COMEX August Contract	NCDEX Gold AUG Contract	NCDEX Sona 1 kg OCT.
August 08, 2005	440.3	6203.00	6201.00
August 09, 2005	439.8	6204.00	6201.00
August 10, 2005	442.0	6224.00	6300.00
August 11, 2005	450.9	6338.00	6300.00
August 12, 2005	451.4	6371.00	6300.00
August 13, 2005	....	6360.00	6300.00

## 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 prices gained 7.3 per cent over the week and this is also 53 per cent jump from the end of the last year. The supply factor and US inventory concern helped the crude prices to go up to record high. The higher crude oil prices rendered support to the yellow metal as an alternative means of investment.

The greenback throughout the week remained under pressure against the euro and yen. The hike in the US interest rate could not provide support to the dollar. Instead China's announcement on its basket of currency, Japan's strong economic data put weight on the dollar. The weakness in dollar helped the yellow metal to gain throughout the week.

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.

Silver prices declined this week in the futures. Prices at the Delhi spot market remained mixed and overall declined on the week. The NCDEX futures along with the COMEX declined on the last trading day. The London spot rates however, improved this week.

Gold futures throughout the week maintained the improvement and posted a weekly gain of around 1.9 per

cent. Silver however, declined over the week. The metal lost 9.3 cents on the last trading day at the COMEX. The weakness in the dollar helped both the metals to witness gains this week. The strength in the euro and the yen against the dollar along with the smooth improvement in the crude prices and strike in the South African mines provided the background support to the metals. On the last trading day the more than expected US trade deficit data also helped the metals.

In the domestic markets too the yellow metal improved significantly on the week. However, silver declined overall on the week despite improving some of the days of this week. On Saturday the August contract of the yellow metal declined Rs 11 at the NCDEX to close Rs 6360 per 10 gm. Silver August contract at the NCDEX gained Rs 17 to close at Rs 10571 per kg. The August vada is going to expire in the coming week.

Both the metals recently improved very significantly. The higher prices are likely to attract some profit taking activities. Thus, the coming week is very crucial for the metals. The overall tone may remain weak.

**Watch-outs for Next Week:** US CPI, PPI, industrial production, empire state, leading indicators etc.

## Exchange Rate in INR

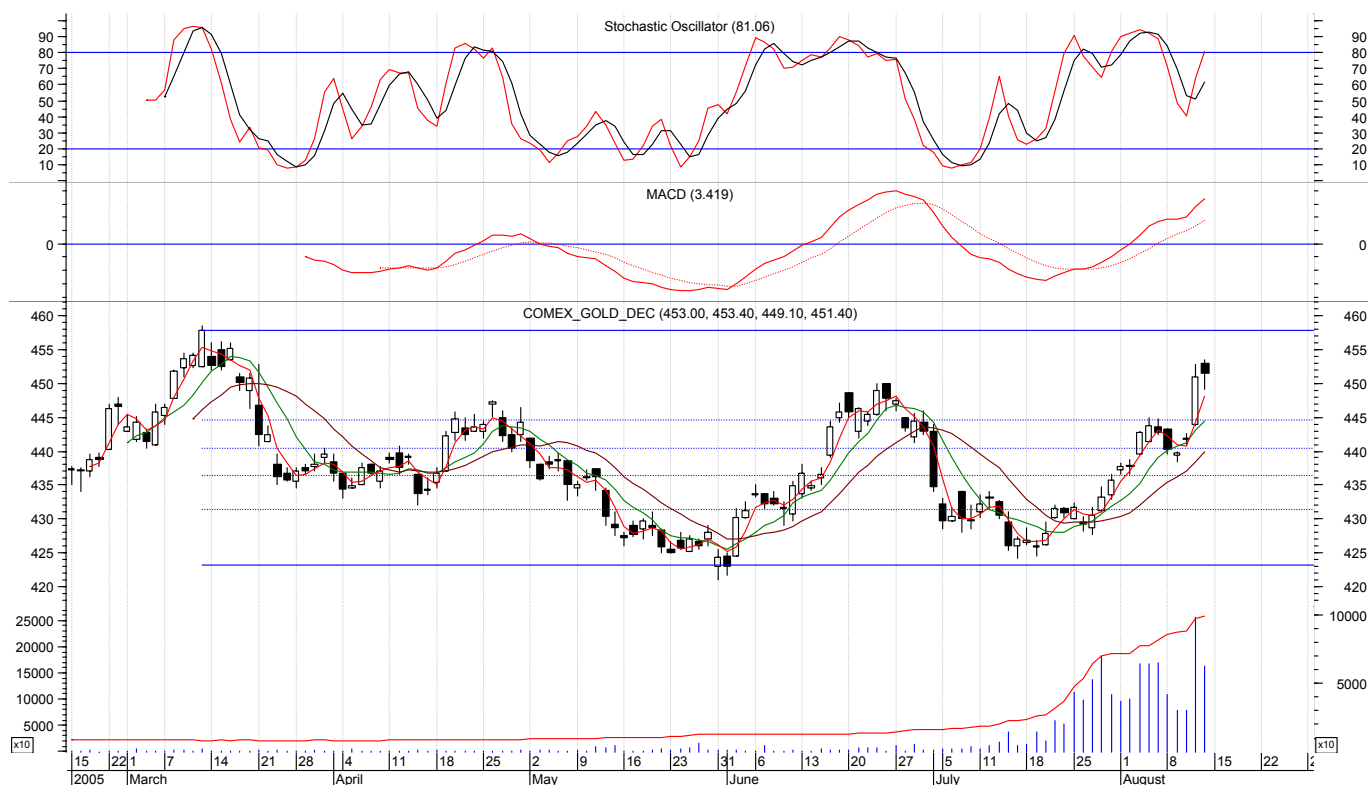
Currency	08/08	09/08	10/08	11/08	12/08
1 USD	43.55	43.55	43.53	43.58	43.60
1 Euro	53.70	53.99	53.90	54.03	54.33
1 GBP	77.29	77.86	77.92	78.33	78.98
100 Yen	38.75	38.97	39.16	39.49	39.71

## TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



**Candlesticks:** The formation of the candlestick pattern indicates that there may be a break on the next day. However, the trend is still strong. The RSI (67.8) is in the higher level and approaching towards the overbought region.

**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 is in the positive territory (3.959) and the gap with its EMA is widening.

**Stochastic:** The % K-line has reached the overbought region. The % -D line is just below the overbought region from.

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 short with a short-term outlook.

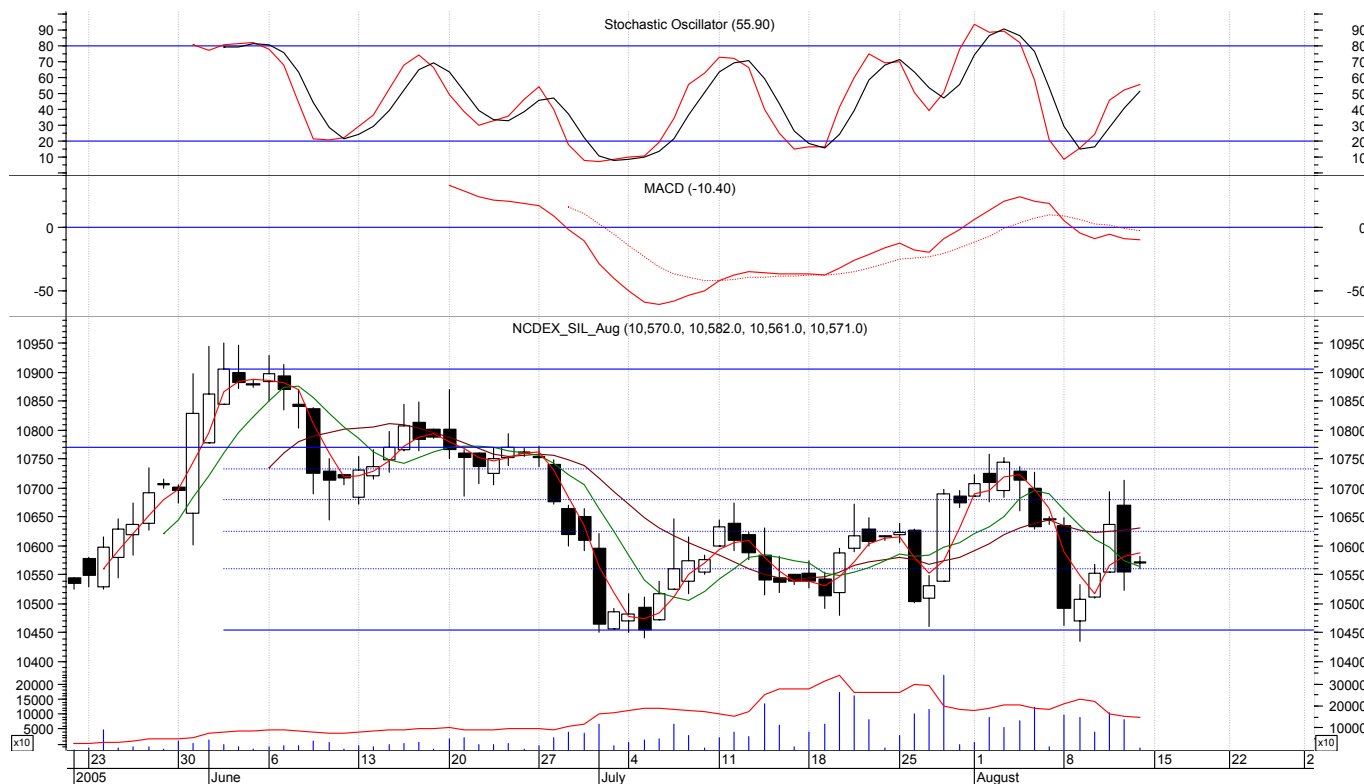
### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
COMEX December	450	447	452.5	454.5
NCDEX August	6337	6322	6360	6371

Stop-loss at Rs 6355 at the NCDEX and \$452 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 star that indicates an indecisive situation. The RSI (41.8) is in the neutral region however, is going downwards.

**MA:** The 3-day MA has cut 7-day MA from above. Both the 3-day and 7-day MAs are below the 14-day MA.

**MACD:** The MACD (-10.40) is in the negative territory. The MACD had made a bearish crossover with the EMA.

**Stochastic:** The % K-line and the % D -line both are in the neutral region.

The indicators are indicating towards the weakness of the prices. There may be downfall in the prices in the first half of the week.

**Recommendation:** Remain short with a short-term outlook.

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX July	10560	10450	10577	10615

Stop loss at 10585 mark.

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