

PRECIOUS METALS (GOLD & SILVER)

August 15-20, 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.
- Late in U.S. trading, the dollar had edged up 0.1% against the euro, with one euro worth \$1.2164. The euro had been as low as \$1.2126, territory last seen on Aug. 1. Against Japan's currency, the dollar traded to one-week highs of 110.83 yen but stood more recently at 110.43 yen, down 0.1% from where it stood late Thursday.
- Crude for September delivery climbed to a high of \$65.50 a barrel on the New York Mercantile Exchange. It closed at \$65.35, up \$2.08 for the session and stands well above its close around \$43 at the end of last year. However, the price on the benchmark contract was down \$1.51 from week-ago close of \$66.86.
- The U.S. retail sales increased 1.8 percent last month against the expectation of 2.1 per cent increase.
- The CPI data came near the expectation and at the higher side. the US PPI data was released that showed 1 per cent increase.

PRICES

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

| Date | Delhi | London |
|-----------------|----------|--------|
| August 15, 2005 | --- | 706.50 |
| August 16, 2005 | 10420.00 | 698.00 |
| August 17, 2005 | 10445.00 | 700.00 |
| August 18, 2005 | 10374.00 | 696.00 |
| August 19, 2005 | --- | 699.50 |
| August 20, 2005 | 10402.00 | --- |

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

| Date | Mumbai | London (am fix) | London (pm fix) |
|-----------------|---------|-----------------|-----------------|
| August 15, 2005 | --- | 442.60 | 443.50 |
| August 16, 2005 | 6315.00 | 440.85 | 443.00 |
| August 17, 2005 | 6357.00 | 444.25 | 442.00 |
| August 18, 2005 | 6286.00 | 439.00 | 439.65 |
| August 19, 2005 | 6297.00 | 439.25 | 439.65 |
| August 20, 2005 | 6274.00 | | |

Silver Futures (Rs/Kg)

| Date | NCDEX SEP Contract of Silver | NCDEX Chandi 30 kg Silver SEPT Contract |
|-----------------|------------------------------|---|
| August 15, 2005 | --- | --- |
| August 16, 2005 | 10581.00 | 10510.00 |
| August 17, 2005 | 10536.00 | 10394.00 |
| August 18, 2005 | 10545.00 | 10396.00 |
| August 19, 2005 | 10539.00 | 10190.00 |
| August 20, 2005 | 10544.00 | 10549.00 |

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

| Date | COMEX DEC. Contract | NCDEX Gold SEP Contract | NCDEX Sona 1 kg OCT. |
|-----------------|---------------------|-------------------------|----------------------|
| August 15, 2005 | 447.6 | --- | --- |
| August 16, 2005 | 451.5 | 6351.00 | 6300.00 |
| August 17, 2005 | 445.2 | 6296.00 | 6300.00 |
| August 18, 2005 | 444.7 | 6297.00 | 6300.00 |
| August 19, 2005 | 442.2 | 6287.00 | 6300.00 |
| August 20, 2005 | | 6275.00 | 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 |
|--------------------------------------|------|------|----------------------|-------|-------|-------|-------|-----------------------------|
| 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

Though the violence in Ecuador and Nigeria helped the crude futures to go up significantly however, the futures for the week declined 2 per cent. The traders took the benefit of the significantly higher prices, which are running around 50 per cent up against the year ago level. The overall weakness in crude prices this week pressurised the metals also.

Dollar this week made a very good recovery against its major rivals. The greenback got support from the stronger US economic data and disappointing European economic data. The inflationary concern indicated further increase in the US interest rate by the Federal Reserve. This also provided support to the US currency. During the end of the week the dollar got boost from the US regional factory report.

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

Silver prices declined this week in the futures as well as in the spot markets. The NCDEX futures along with the COMEX declined overall this week. The London spot rates however, also fell.

On the last trading day of the week the gold futures at the COEMX fell amid stronger dollar and weak crude prices. Silver however, gained on the last trading day. The December contract of gold at the COMEX on Friday closed

Exchange Rate in INR

| Currency | 16/08 | 17/08 | 18/08 | 19/08 |
|----------|-------|-------|-------|-------|
| 1 USD | 43.54 | 43.54 | 43.56 | 43.58 |
| 1 Euro | 53.80 | 53.58 | 53.47 | 53.0` |
| 1 GBP | 78.74 | 78.55 | 78.62 | 78.08 |
| 100 Yen | 39.83 | 39.64 | 39.56 | 39.45 |

at \$442.20 per ounce, down by \$2.50 per ounce. Silver September contract managed to add 1 cent to close at \$7.008 per ounce. The yellow metal post a cumulative loss of 2 per cent this week. Silver also declined 1.2 per cent over the week. The dollar remained stronger against the euro and the yen. The crude oil prices also fell and both of these remained as the negative factors for the yellow metal. The US economic data that indicated towards the inflationary pressure also boosted the likelihood for the interest rate hike by the Federal Reserve.

In the domestic markets too both the metals maintained the weakness throughout the week. On Saturday the gold kg September contract closed down Rs 12 to close at Rs 6275 per 10 gm. The silver September contract at the NCDEX improved Rs 5 to close at Rs 10544 per kg. Silver traded this week range-bound. Gold however, fell significantly. The August sayda expired this week on the lower side for silver particularly.

In the coming week too the metals are likely to move with the present weakness. However, any recovery in the euro and the yen against the dollar may push the metals up. The lower prices are also expected to attract some buying activities.

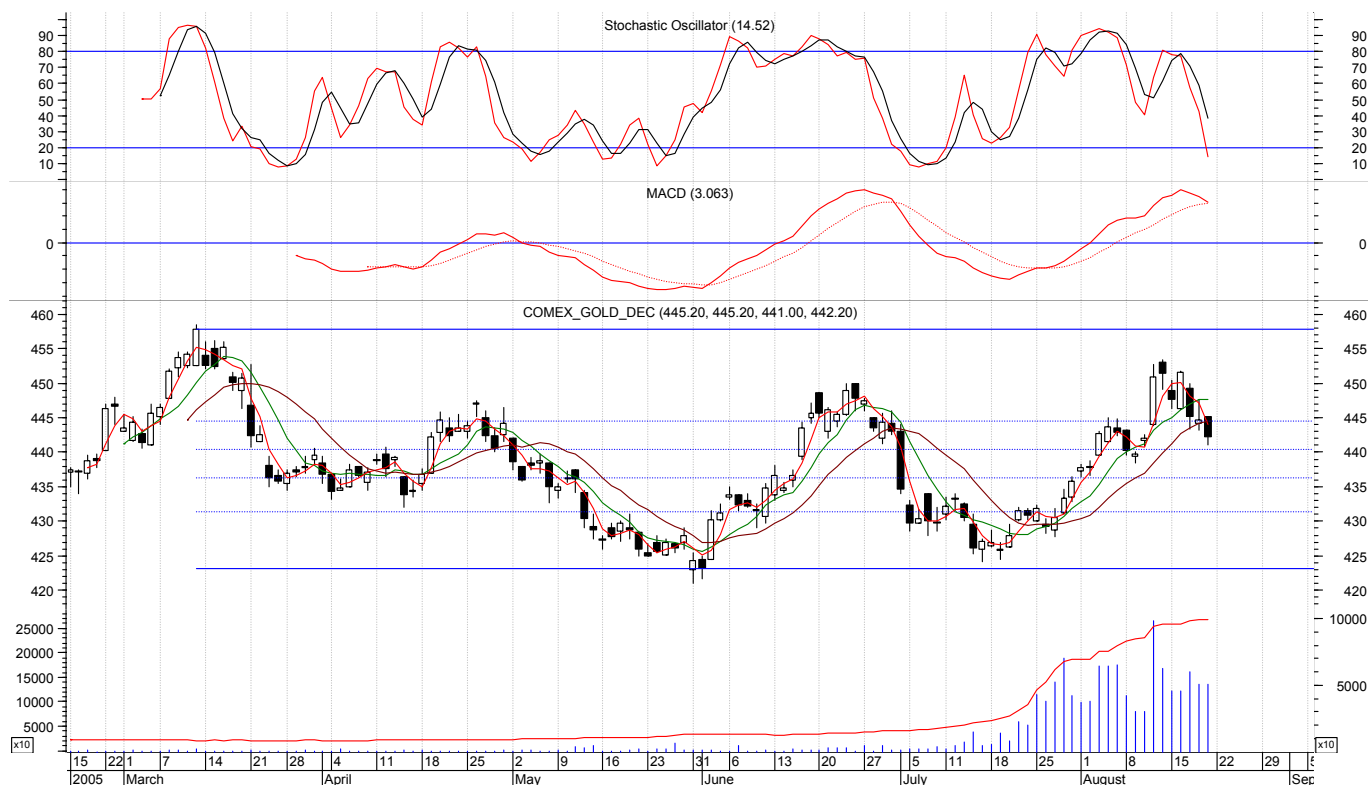
Watch-outs for Next Week: Consumer sentiments, Existing home sales, Durable goods orders etc.

TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



Candlesticks: The candlestick formation indicates towards the bearish movements ahead. The RSI (52.05) is in the neutral level however, it reached the lowest level within 14 periods.

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

MACD: The MACD is in the positive territory (3.063) but it may make a bearish crossover with the signal line in the near future.

Stochastic: The % K-line has reached the oversold region. The % -D line also following it but is above the oversold region.

The indicators are indicating towards a bearish scenario at present. The prices are likely to go down further.

Recommendation: Remain short with a short-term outlook.

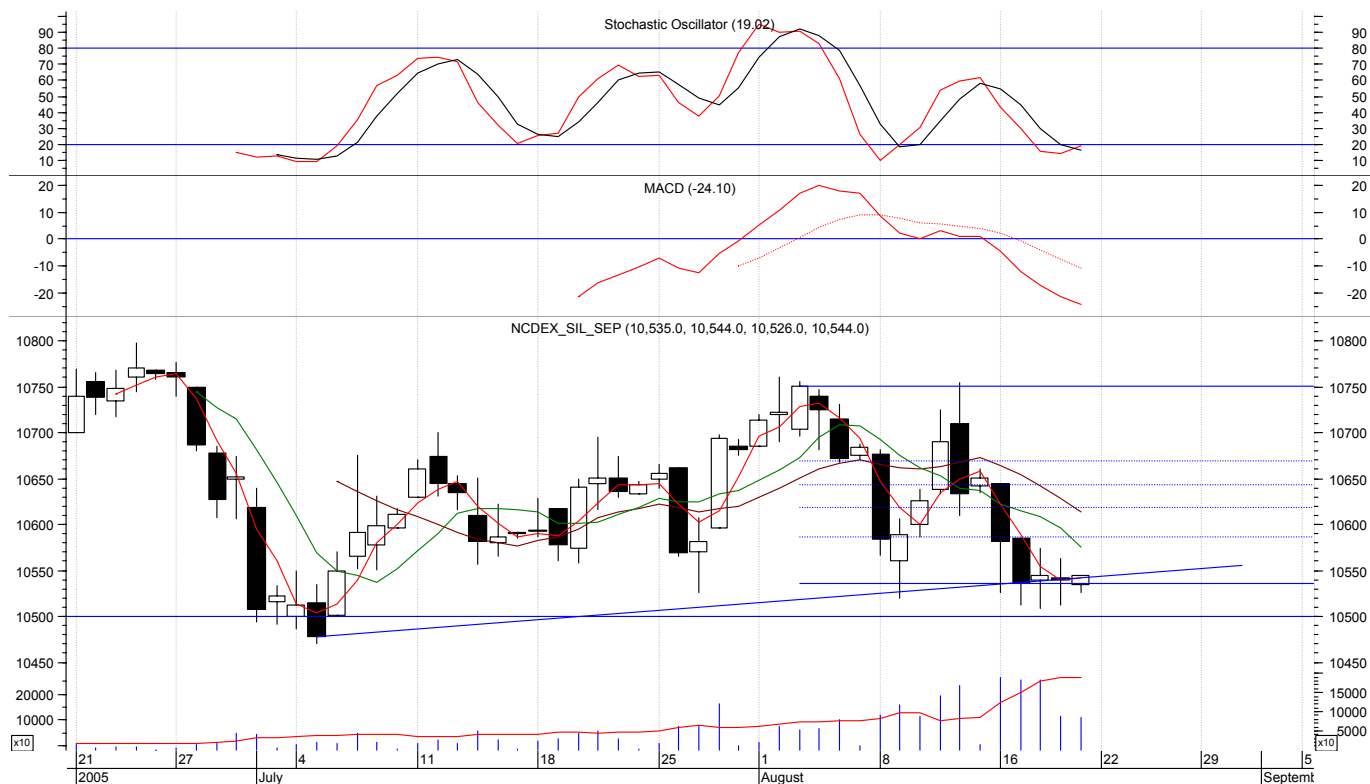
Support and resistance Levels

| Contract | S-1 | S- 2 | R- 1 | R - 2 |
|----------------|------|------|-------|-------|
| COMEX December | 440 | 438 | 444.5 | 447.6 |
| NCDEX August | 6265 | 6250 | 6288 | 6297 |

Stop-loss at Rs 6290 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 a bullish engulfing white body formed on the last day. The RSI (40.46) is in the neutral 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 (-24.10) is in the negative territory. The gap between MACD and the EMA is widening.

Stochastic: The % K-line has made a bearish crossover with the % D-line below the oversold line.

The indicators are pointing towards the some strength in the short-term. There may be some improvement in the coming week.

Recommendation: Remain long with a long-term outlook.

Support and resistance Levels

| Contract | S-1 | S- 2 | R- 1 | R - 2 |
|------------|-------|-------|-------|-------|
| NCDEX July | 10535 | 10515 | 10587 | 10600 |

Stop loss at 10590mark.

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