

PRECIOUS METALS (GOLD & SILVER)

August 29-September03, 2005

MAJOR ACTIVITY HIGHLIGHTS

- The gold December contract at the COMEX on the last trading day of the week ended up \$2 at \$448.50 per ounce. For the week the yellow metal added \$6.40 or 1 per cent to its previous week level.
- Silver September contract also managed to gain 4.2 cents to close at \$7.008 per ounce. Silver closed the week with a 4 per cent gain.
- In late U.S. trading, the euro was at \$1.2544, up 0.5% on the day. Europe's shared currency traded as high as \$1.2589 earlier.
- October crude ended the session at \$67.57 a barrel, down \$1.90, or 2.7%. It closed at \$66.13 last Friday so it's still up 2.2% on the week. Crude futures dropped almost \$2 a barrel to close at a four-session low and natural-gas prices ended lower, but still posted a more than 19% gain for the week.
- Average hourly earnings increased 2 cents, or 0.1%, to \$16.16. The average workweek was flat at 33.7 hours, while total hours worked in the economy increased 0.1%. The US GDP growth for second quarter came lower at 3.3 per cent against the expectation of 3.4 per cent.
- U.S. job growth rose at steady clip in August, pushing the unemployment rate to a four-year low 4.9%, the Labor Department said Friday. Average hourly earnings increased 2 cents, or 0.1%, to \$16.16. The average workweek was flat at 33.7 hours, while total hours worked in the economy increased 0.1%.

PRICES

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

Date	Delhi	London
August 29, 2005	10291.00
August 30, 2005	10279.00	675.00
August 31, 2005	10252.00	674.00
August 01, 2005	10383.00	685.50
August 02, 2005	10539.00	702.00
August 03, 2005	10508.00	---

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

Date	Mumbai	London (am fix)	London (pm fix)
August 29, 2005	6340.00
August 30, 2005	6305.00	436.15	430.65
August 31, 2005	6281.00	433.00	433.5
August 01, 2005	6317.00	435.50	439.60
August 02, 2005	6412.00	446.30	443.60
August 03, 2005	6399.00

Silver Futures (Rs/Kg)

Date	NCDEX SEP Contract of Silver	NCDEX Chandi 30 kg Silver SEPT Contract
August 29, 2005	10278.00	10500.00
August 30, 2005	10270.00	10500.00
August 31, 2005	10342.00	10500.00
August 01, 2005	10518.00	10325.00
August 02, 2005	10532.00	10325.00
August 03, 2005	10524.00	

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

Date	COMEX DEC. Contract	NCDEX Gold SEP Contract	NCDEX Sona 1 kg OCT.
August 29, 2005	441.4	6301.00	6300.00
August 30, 2005	435.5	6270.00	6201.00
August 31, 2005	438.1	6283.00	6201.00
August 01, 2005	446.5	6375.00	6201.00
August 02, 2005	448.5	6377.00	6201.00
August 03, 2005	6375.00	

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	2,593	2,464	-4.9	605	647	639	583	1.7
Net Producer Hedging	-279	-442	...	-111	-145	-109	-22	...
Total Mine Supply	2,313	2,022	-12.6	493	502	530	561	12.9
Official Sector Sales	617	478	-22.6	79	65	215	254	113.5
Old Gold Scrap	939	828	-11.9	206	183	204	229	-2.6
Total Supply	3,870	3,328	-14.0	779	750	950	1,043	22.7
Demand								
Jewellery fabrication	2,481	2,610	5.2	672	658	675	707	17.0
Industrial and dental	381	411	7.9	109	102	100	100	-1.2
Net retail investment	292	342	17.4	86	77	96	101	20.8
Exchange Traded Funds And Similar	39	133	237.2	5	-2	114	89	439.9
Total identifiable demand	3,194	3,497	9.5	873	835	984	996	23.7
Balance	676	-169	...	-94	-86	-34	47	...

Figures in Tonnes

Source: WGC

FUNDAMENTAL ANALYSIS

The improvement in the crude futures continued in this week amid devastation made by the Hurricane Katrina in the Gulf States of the USA. The International Energy Agency plans to make 60 million barrels of crude oil and refined petroleum products available to the global market over the next month in response to the effects of Hurricane Katrina on U.S. oil production. This pressurised the energy futures on the last trading day of the week at the NYMEX. The higher crude prices remained supportive for the yellow metal.

The dollar remained weak against the euro and the yen almost throughout the week. The lower than expected GDP growth rate for US put pressure on the greenback. After that the decision of the European Central Bank to keep the interest rate unchanged also helped the euro to improve further. The indication by the Federal Reserve that it may alt the hike in the interest rate due to higher crude prices and devastation by the Hurricane also weighed on dollar. On the last trading day however, the decrease in the unemployment rate tried to provide marginal support to the dollar. The overall outlook is bearish for the dollar, which is likely to support the metals further.

Spot rates of gold recovered during the week in London as well as in Mumbai significantly. At the NCDEX the gold kg futures improved during the later half of the week along with the COMEX futures. The movement remained sharp.

Silver prices also improved this week in the futures as well as in the spot markets significantly. The NCDEX futures along with the COMEX gained significantly mainly during the weekend. The London spot rates also went up.

Gold futures maintained the gain in the major markets this week. Silver also revived from the lower levels and posted a steady gain. For the week the yellow metal added \$6.40 or 1 per cent to its previous week level. Silver closed the week with a 4 per cent gain. The continued weakness in the dollar helped the metals to go up. The euro and the yen remained higher against the dollar almost throughout the week due to few reasons. The lower US GDP data, no change in the interest rate for the euro zone, expectation of curbing the US interest rate by the Federal Reserve due to surging oil prices and devastation made by the Hurricane Katrina have been among the main reasons behind the weakness in the dollar. Gold and silver maintained their strength on the higher crude prices and lower dollar.

In the domestic markets too the metals showed the recovery throughout the week. The gold kg contract at the NCDEX on the last trading day of the week however closed declined Rs 2 to close at Rs 6375 per 10 gm and unchanged for the day. Silver September contract on the other hand shed Rs 8 to close at Rs 10524 per kg. For the week gold kg September contract added Rs 85 and silver September contract gained Rs 247.

The present outlook is bullish for both the metals. The higher crude prices and the weaker dollar both are lending supports to the metals. The physical demand is likely to improve further in India and also in China and Middle East. Thus, the metals may improve further in the coming week.

Watch-outs for Next Week: ISM service, Productivity, Unit Labour costs, Jobless claims, Wholesale inventories, Consumer credit and Import price index.

Exchange Rate in INR

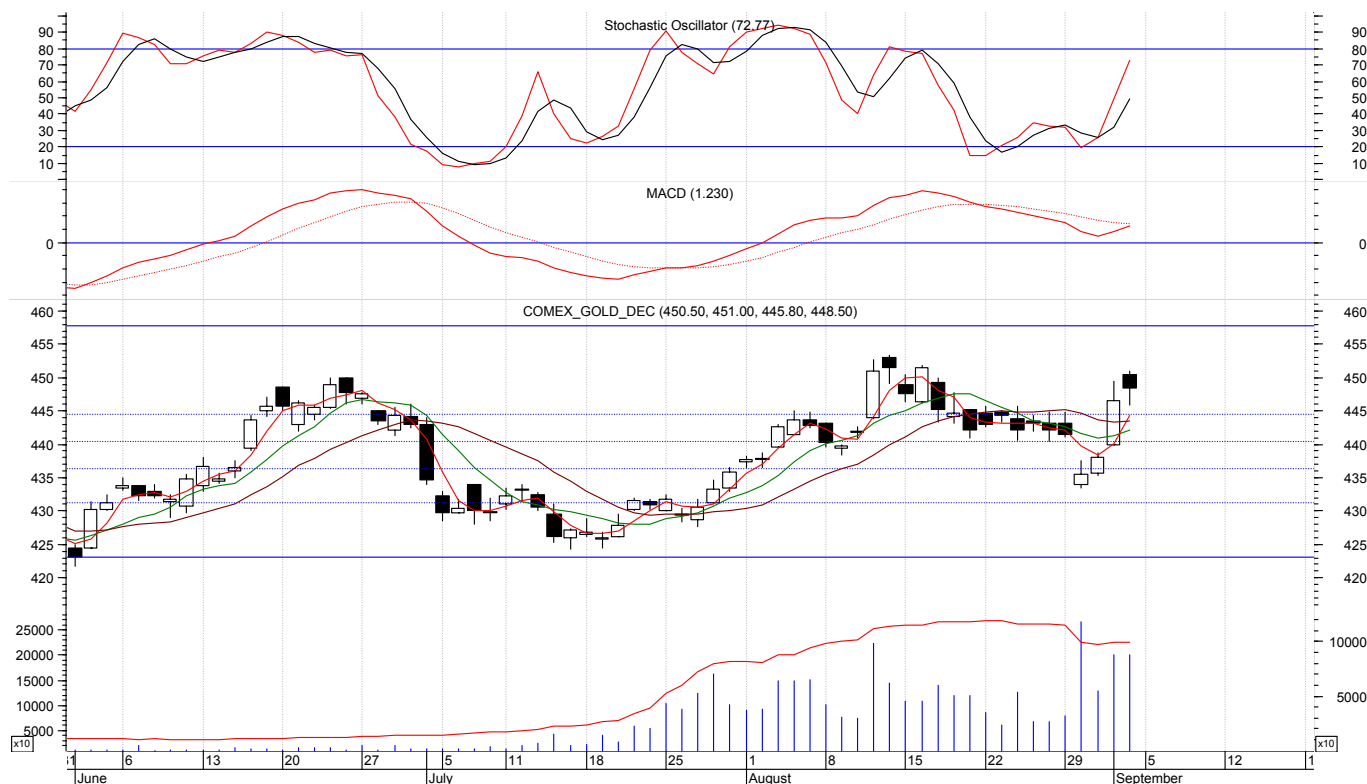
Currency	29/08	30/08	31/08	01/09	02/09
1 USD	43.78	44.02	44.04	44.12	43.95
1 Euro	53.99	53.79	53.80	54.38	54.93
1 GBP	79.04	78.94	78.58	79.53	80.61
100 Yen	39.69	39.68	39.54	39.81	40.01

TECHNICAL ANALYSIS

Commodity: GOLD

Contract: COMEX December Contract (GCZ05)

Term: Short-term (Weekly)



Recommendation: Remain long.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
COMEX December	446.5	444.5	451.5	455.5
NCDEX August	6360	6333	6400	6425

Candlesticks: The candlestick formation giving an indication of a slight reversal on the next couple of days. The RSI (68.3) is in the neutral level however, it is approaching the oversold region.

Moving Average: The 3-day MA has made a bullish crossover with both the 7-day and 14-day MAs.

MACD: The MACD is in the positive territory and is likely to make a bullish crossover with the signal line.

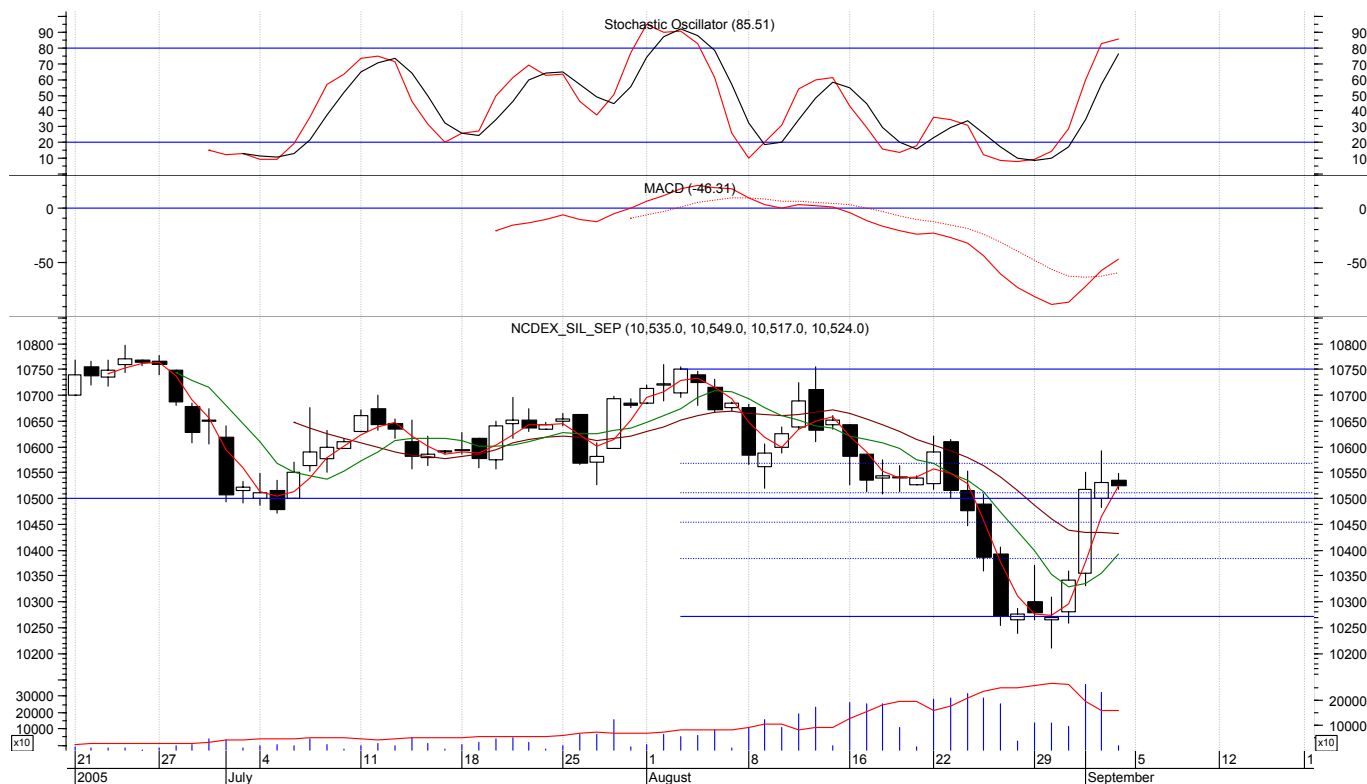
Stochastic: The % K-line is going up smoothly followed by the % D-line.

The indicators are indicating towards some weakness in the first couple of days however, after that the contract is likely to go up further.

Stop-loss at Rs 650 at the NCDEX and \$442 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 weak price movement on the last day. The RSI (51.3) is in the neutral region.

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

MACD: The MACD (-46.31) is in the negative territory however, it is above than the signal line.

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

The prices may remain weak for the first couple of days however, the improvement is expected to continue after that.

Recommendation: Remain long.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX July	10512	10453	10568	10650

Stop loss at 10477mark.

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