

## PRECIOUS METALS (GOLD & SILVER)

May 29-June 03, 2006

### MAJOR ACTIVITY HIGHLIGHTS

- Gold futures recovered slightly towards the end of the week, but still shed a good 2.5% during the period. Gold for August delivery slipped to a low of \$624 an ounce on the New York Mercantile Exchange, before closing out the week down \$16.4 at \$641 per ounce, meanwhile it witnessed the highs of \$671.5. Similarly, June gold at NCDEX also tumbled during the period. The contract shed a good Rs 240 (2.45%) at Rs 9545 during the period after trading in the range of Rs 9370-10004.
- Silver prices recovered towards the end of the week to close with moderate losses. The white metal futures for July delivery at NYMEX slipped by 64.5 cents (5.0%) at \$12.085 an ounce. The futures traded in the range of \$1155-1312.50 during the period. Similarly, June silver at NCDEX closed down Rs 573 (3.0%) at Rs 18509 after trading in the range of Rs 17950-20035 during the period.
- The greenback remained quite volatile during the week and ended with moderate losses against its major counterparts. The European currency traded between \$1.2717-1.2938 during the week, before closing at modest gains (1.4%) at 1.29155 on Friday. Dollar showed roller coaster movements against Japanese currency during the period and traded in the range of 111.315-113.35 before closing the week slightly weak at 111.72 Yen.
- The energy prices closed the week with some gains after trading volatile during the period. Crude for July delivery closed at \$72.33 a barrel on the New York Mercantile Exchange, up 96 cents (1.34%) for the period, meanwhile it traded in the range of \$70.34-72.75 per barrel.
- Nonfarm payrolls increased by 75,000 in May, well below the 174,000 expected by economists. The unemployment rate ticked lower to 4.6% in May from 4.7% in April. This is the lowest jobless rate since July 2001.
- Average hourly earnings increased by 1 cent, or 0.1% to \$16.62 an hour after jumping 0.6% in the previous month. Average hourly earnings are up 3.7% in the past year.
- New orders for U.S.-made factory goods dropped 1.8% in April, thanks to decline in demand for construction and mining machinery and for aircraft parts. It was the largest decline in factory orders in four months and follows a revised 4.0% gain in March.
- U.S. home prices rose in the first quarter, but at a slower pace. The home price index released Thursday shows home prices rose 12.5% in the past year.
- Productivity in the U.S. nonfarm business sector rose at an annual rate of 3.7% in the first quarter, stronger than the 3.2% gain reported earlier.

### PRICES

Spot Rate of Silver (Delhi Spot: Rs/Kg; London Spot: Cents/Troy Ounce) (1ounce = 31.10347 gms)

Date	Delhi	London
29 May 2006	18760.40	***
30 May 2006	19126.80	1290
31 May 2006	19090.90	1313
01 June 2006	18469.70	1205
02 June 2006	18389.25	1215
03 June 2006	18414.00	***

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

Date	Mumbai0	London (am fix)	London (pm fix)
29 May 2006	9731.65	***	***
30 May 2006	9798.00	652.25	660.50
31 May 2006	9829.40	654.00	653.00
01 June 2006	9590.35	633.25	625.00
02 June 2006	9503.40	630.80	632.25
03 June 2006	9555.60	****	****

### Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (June Contract)	COMEX -SILVER (July Contract)
29 May 2006	19132	****
30 May 2006	19583	1307.00
31 May 2006	18947	1245.50
01 June 2006	18299	1190.50
02 June 2006	18505	1208.50
03 June 2006	18509	****

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

Date	COMEX -GOLD (Aug Contract)	NCDEX-GOLD (June Contract)
29 May 2006	***	9769
30 May 2006	660.50	9853
31 May 2006	649.00	9719
01 June 2006	633.50	9482
02 June 2006	641.00	9532
03 June 2006	***	9545

## GOLD DEMAND STATISTICS (LATEST)

Particulars	2004	2005	% Change 2005vs04	Q4'04	Q1'05	Q2'05	Q3'05	Q4'05	% Change Q4'05 vs. Q4'04
Demand (Tonnes)									
Jewellery fabrication	2618.1	2736.2	5	799.5	693.4	740.1	619.5	683.2	-15
Industrial and dental	409.8	418.5	2	99.3	98.2	111.5	105.5	103.3	4
Net retail investment	343.4	396.2	15	96.0	124.3	109.5	84.8	77.6	-19
Exchange Traded Funds And Similar	132.6	203.4	53	113.4	88.5	-1.6	37.5	79.0	-30
Total identifiable demand	3504	3754.3	7	1108.2	1004.5	959.5	847.3	943.0	-15
Demand (\$ m)									
Jewellery fabrication	34441	39099	14	11151	9527	10170	8758	10636	-5
Industrial and dental	5391	5980	11	1386	1349	1533	1491	1607	16
Net retail investment	4518	5661	25	1339	1709	1504	1199	1208	-10
Exchange Traded Funds And Similar	1745	2907	67	1582	1217	-22	531	1229	-22
Total identifiable demand	46095	53647	16	15457	13802	13185	11978	14680	-5

Source: WGC

## FUNDAMENTAL ANALYSIS

The week saw volatility in the precious metal prices as fluctuations in the greenback kept the metals indecisive. The metals started the week on a firm note but this firmness was short lived and prices fell sharply during the mid week. The market again tried to recoup some losses towards the end of the week but eventual the market closed the week with moderate losses. Both gold and silver witnessed recovery towards the end of the week after initial hitting. The recovery was supported by crude oil prices, which remained slightly warmer during the period.

The crude oil prices remained slightly warm during the period as supply concerns due to forthcoming peak driving season and Hurricanes season supported the higher prices despite good U.S. inventory position in crude and gasoline. Further, the prices surged towards the weekend after Iran warned of halting crude supplies. Crude for July delivery closed at \$72.33 a barrel on the New York Mercantile Exchange, up 96 cents (1.34%) for the period, meanwhile it traded in the range of \$70.34-72.75 per barrel.

The buck danced to the tune of economic data released this week. The expectations regarding further interest rate hike or pause kept swinging both ways and thus the currency moved accordingly. Nonfarm payrolls and unemployment data released towards the end of the week suggested mixed picture for the further interest rate outlook. Small job gains and the reversal of wage pressure support the notion of a pause, but the drop in the unemployment rate suggests further tightening of labor markets. Further, housing sector is showing sluggishness and at the same time durable goods orders shows some weakness in the manufacturing sector. All in all the situation is dubious and volatility in the currency is likely in the forthcoming week. The European currency traded between \$1.2717-1.2938

during the week, before closing at modest gains (1.4%) at 1.29155 on Friday. Dollar showed roller coaster movements against Japanese currency during the period and traded in the range of 111.315-113.35 before closing the week slightly weak at 111.72 Yen.

Thus, volatility in the greenback due to fluctuating prospects of the interest rate hike, some warmth in the crude oil prices and slightly warming geopolitical uncertainties kept the yellow metal zigzagging with slightly bearish bias during the week with some recovery towards the end. Further, physical demand for the metal is still not very promising at the stage to push the prices up. Despite this the prices are not falling sharply thanks to warmth in the crude prices and geopolitical uncertainties. Gold for August delivery slipped to a low of \$624 an ounce on the New York Mercantile Exchange, before closing out the week down \$16.4 at \$641 per ounce, meanwhile it witnessed the highs of \$671.5. Similarly, June gold at NCDEX also tumbled during the period. The contract shed a good Rs 240 (2.45%) at Rs 9545 during the period after trading in the range of Rs 9370-10004. The white metal futures for July delivery at NYMEX slipped by 64.5 cents (5.0%) at \$12.085 an ounce. The futures traded in the range of \$1155-1312.50 during the period. Similarly, June silver at NCDEX closed down Rs 573 (3.0%) at Rs 18509 after trading in the range of Rs 17950-20035 during the period.

The precious metals still seem in search of direction and are likely to show some more volatility in the forthcoming week. Some attempts for recovery is likely in the absence of any major bearish news. Silver, on the other hand is expected to follow gold. Any sort of weakening in the

greenback would bring some shine back to the precious metals.

Commodity: GOLD

Contract: NCDEX JUNE Contract (GCM06)

Term: Short-term (Weekly)



#### Technical Analysis:

MACD is moving slightly upward below its signal line indicating weakness in the bearish momentum. Stochastic is moving downward in the neutral region. Close below 9 days and 18 days EMA favors bears. Overall the indicators are depicting weakness in the market.

**Recommendation:** At the moment the gold market is looking slightly bearish, however, some buying support at

lower levels would cause volatility. Remain short with caution or buy near supports.

#### Support and resistance Levels:

Contract	S1	S2	R1	R2
COMEX June'06	627.40	616.00	663.50	674.90
NCDEX June'06	9398	9247	9887	10028

Commodity: SILVER

Contract: NCDEX June Contract

Periodicity: Weekly



#### Technical Analysis

MACD is moving flat below its signal line in the negative territory indicating weakness in the bearish momentum. Stochastic is moving downward in the neutral region. Close below 9 days and 18 days EMA favors bears. Overall the indicators are depicting some weakness in the market.

**Recommendation:** Silver prices are likely to show volatile movements. Remain short with caution or buy near supports.

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX June'06	18039	17538	19623	20124

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