

PRECIOUS METALS (GOLD & SILVER)

June 12-17, 2006

MAJOR ACTIVITY HIGHLIGHTS

- Gold prices slipped sharply in the first half of the week and slight recovery towards the end of the week was not enough to culminate in the positive territory. Gold for August delivery on the New York Mercantile Exchange traded in the range of \$546.4-616.4 before closing at \$581.7 per ounce at a loss of \$31.1 (5%). Similarly, July gold at NCDEX also tumbled during the period. The contract shed a good Rs 454 (4.94%) at Rs 8723 during the period after trading in the range of Rs 8325-9215.
- Silver prices recovered towards the end of the week but still ended the period with hefty loses. The white metal futures for July delivery at NYMEX slipped by a good 108 cents (9.6%) at \$10.13 an ounce. The futures traded in the range of 9450-1128.5 cents per ounce during the period. Similarly, June silver at NCDEX closed down Rs 1678 (9.6%) at Rs 15720 after trading in the range of Rs 14700-17428 during the period.
- The greenback remained quite volatile during the week and ended at almost no change levels against Euro, whereas it recovered slightly against Yen. The European currency traded between \$1.2529-1.2670 during the week, before closing at 1.2641 on Friday. Dollar recovered slightly against Japanese currency during the period and traded in the range of 113.91-115.43 before closing the week slightly strong at 115.165 Yen (1.06%).
- The energy prices slipped initially and then recovered towards the end of the week. Crude for July delivery closed at \$69.88 a barrel on the New York Mercantile Exchange, down \$1.75 (2.44%) for the period, meanwhile it traded in the range of \$68.16-72.32 per barrel.
- The U.S. deficit narrowed slightly in the first quarter to \$208.7 billion from \$223.1 billion in the fourth quarter. The current account deficit came 6.4% of GDP, down from 7% in the fourth quarter.
- U.S. consumer's sentiments improved in early June. The University of Michigan consumer sentiment index rose to a reading of 82.4 in June from 79.1 in May.
- U.S. inflation inched higher on energy prices and higher housing cost. The CPI increased 0.4% in May as expected. However, core CPI increased 0.3%, higher than the 0.2% gain expected by economists. U.S. prices for finished rose 0.2%, while the core PPI rose 0.3% as expected by economists.
- U.S. jobless claims dipped by 8000 to 295000 for the week ending June 10. Initial claims have fallen by 42,000 in the past two weeks. The four-week average of new claims slipped by 12,250 to 315,750, the lowest in six weeks.
- U.S. retail sales rose a modest 0.1% in May, poor auto sales was the main reason behind sluggish sales growth. Excluding auto sales, retail sales rose 0.5%. U.S. business inventories increased 0.4% in April, while sales rose 0.6%.

PRICES

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

Date	Delhi	London
12 June 2006	16656.20	1102
13 June 2006	15998.40	1047
14 June 2006	15048.00	972
15 June 2006	15444.00	1015
16 June 2006	15906.00	1028
17 June 2006	15741.00	****

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

Date	Mumbai0	London (am fix)	London (pm fix)
12 June 2006	9091.20	607.75	609.20
13 June 2006	8883.55	590.75	586.50
14 June 2006	8506.70	567.25	567.75
15 June 2006	8602.15	574.25	569.50
16 June 2006	8724.40	581.50	574.00
17 June 2006	8698.20	****	****

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (June Contract)	COMEX -SILVER (July Contract)
12 June 2006	17076.00	1106.5
13 June 2006	15028.00	962.5
14 June 2006	15050.00	973.5
15 June 2006	15586.00	997.0
16 June 2006	15714.00	1013.0
17 June 2006	15720.00	****

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

Date	COMEX -GOLD (Aug Contract)	NCDEX-GOLD (July Contract)
12 June 2006	611.3	9140.00
13 June 2006	566.8	8546.00
14 June 2006	566.5	8452.00
15 June 2006	570.3	8580.00
16 June 2006	581.7	8719.00
17 June 2006	****	8723.00

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 downward journey of the precious metals continued during the week as slight cooling off in the crude oil prices in conjunction with strong dollar pressurised the metals. Some healthy U.S. economic data and expectations of hike in interest rates supported the greenback, which in turn added bearish sentiments in the precious metals market. The metals started the week on a weaker note and some sharp correction was seen during the initial part of the week. A small bounce back towards the end of the week was not enough to recoup the initial losses.

The crude oil prices remained slightly warm during the earlier part of the week and then some cooling off in the prices was seen thanks to hefty stock of crude and natural gas. However, the prices are still hovering in the higher zone of near \$70 per barrel mark. As it's a peak of driving season and also hurricane season is on, fears of supply demand balance is keeping the oil prices warm. Though, Alberto, the first hurricane of the season didn't had any damaging effect on oil set up in the gulf, any of sisters like Katrina, Rita last year, would put pressure on the prices. And fears of such contingencies are what supporting the prices at higher levels despite good supply. During last week Crude for July delivery closed at \$69.88 a barrel on the New York Mercantile Exchange, down \$1.75 (2.44%) for the period, meanwhile it traded in the range of \$68.16-72.32 per barrel. We don't expect any strong surge in crude prices at this moment, provided there is no major disturbance on the supply side.

The buck got some health tonic in the form of good economic data this week. Further, inflation fears suggested that there is a fair chance of another quarter point hike in the interest rates. Narrowing U.S. balance of payments deficit and strong consumer sentiments data released this

week gave support to the buck. At the same time higher inflation figure in CPI and PPI data alongwith tighter labour market suggested for the further hike in interest rate which in turn gave strength to the Buck. All in the entire situation slightly favoured the greenback and in the same line, The European currency traded between \$1.2529-1.2670 during the week, before closing at 1.2641 on Friday. Dollar recovered slightly against Japanese currency during the period and traded in the range of 113.91-115.43 before closing the week slightly strong at 115.165 Yen (1.06%).

Thus, slight recovery in the greenback on some healthy economic data and expectations of further hike in interest rate, alongwith easing in crude oil prices hit the yellow metal prices during earlier part of the week. Some recovery towards the end of the week on improvement in the physical demand at lower prices however, was not enough to recoup the earlier heavy losses. Gold for August delivery on the New York Mercantile Exchange traded in the range of \$546.4-616.4 before closing at \$581.7 per ounce at a loss of \$31.1 (5%). Similarly, July gold at NCDEX also tumbled during the period. The contract shed a good Rs 454 (4.94%) at Rs 8723 during the period after trading in the range of Rs 8325-9215. Similarly, The white metal futures for July delivery at NYMEX slipped by a good 108 cents (9.6%) at \$10.13 an ounce. The futures traded in the range of 9450-1128.5 cents per ounce during the period. Similarly, June silver at NCDEX closed down Rs 1678 (9.6%) at Rs 15720 after trading in the range of Rs 14700-17428 during the period.

The precious metals market still seems bearish and the current trend looks intact. The prices are likely to remain on the negative side. Buying support at lower levels may

restrict the extent of losses. Silver, on the other hand is

expected to follow gold.

Commodity: GOLD

Contract: NCDEX JULY Contract (NCGLKN6)

Term: Short-term (Weekly)



Technical Analysis:

MACD is moving flat above its signal line indicating weakness in the bullish momentum. Stochastic is moving upward in the neutral region indicate some chances of reversal in the trend. Close below 9 days and 18 days EMA favors bears. Overall the indicators are depicting mixed sentiments in the market.

Recommendation: There is no strong sign of reversal in the current bearish trend; 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	R 2
COMEX Aug'06	554.9	538.1	608.1	624.9
NCDEX July'06	8416	8202	9092	9306

Commodity: SILVER

Contract: NCDEX July Contract

Periodicity: Weekly



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Contract	S-1	S- 2	R- 1	R - 2
NCDEX July'06	14912	14470	16985	17640

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