

## MAJOR ACTIVITY HIGHLIGHTS

- Gold futures closed higher on the last trading day of the week on despite strength in greenback, as inflation concerns and geopolitical uncertainties kept buying interest of traders in yellow metals alive. Gold for August delivery on the New York Mercantile Exchange traded in the range of \$568.3-598.3 during the week before closing at \$588 per ounce at a marginal gain of \$6.3 (1.1%). Similarly, July gold at NCDEX also added marginally during the period. The contract accumulated Rs 65 at Rs 8788 during the period after trading in the range of Rs 85.6-8995.
- Silver futures traded volatile during the week before closing with marginal gains. The white metal futures for July delivery at NYMEX added 15.5 cents at \$10.285 an ounce. The futures traded in the range of 978.5-1065.5 cents per ounce during the period. Similarly, June silver at NCDEX closed up Rs 72 at Rs 15792 after trading in the range of Rs 15102-16350 during the period.
- The greenback remained quite volatile during the week and ended slightly firm, as market expected another quarter point increase in the interest rate by Fed. The currency showed some volatility on hawkish comments from ECB and Bank of Japan, which gave some hint of interest hikes.
- The energy prices remained range bound with firm bias during the week on supply concerns and on the news that china is having talk with Saudi Arabia to import oil for its reserves. Crude for July delivery closed at \$70.87 a barrel on the New York Mercantile Exchange, up 67 cents for the period, meanwhile it traded in the range of \$68.8-71.30 per barrel.
- Orders for U.S.-made durable goods fell 0.3% in May, thanks to sharp decline in orders for aircraft. Economists expected orders to fall about 0.2%.
- U.S. leading economic indicators fell more than expected by 0.6% in May, signaling slowing down in the economy. Economists were expecting the index to decline 0.4%.
- Jobless claims in the largest economy dropped by 5,000 to 311,250, in the week ending June 17, the lowest since April 22. The four-week average was revised to stand at 316,250 for the week ended June 10.
- U.S housing starts increased 5% in May to a seasonally adjusted annual rate of 1.96 million in May, after three months of declines. However, the longer-term outlook is not promising.

## PRICES

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

Date	Delhi	London
19 June 2006	15258.60	989
20 June 2006	15402.75	1015
21 June 2006	15691.50	1027
22 June 2006	16149.85	1054
23 June 2006	15592.50	1009
24 June 2006	15898.40	****

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

Date	Mumbai0	London (am fix)	London (pm fix)
19 June 2006	8559.00	569.75	571
20 June 2006	8585.40	571	567
21 June 2006	8655.75	576.5	574.6
22 June 2006	8883.55	594.4	584.5
23 June 2006	8778.95	582.6	579.6
24 June 2006	8800.10	****	****

**Silver Futures (Rs/Kg)**

Date	NCDEX -SILVER (June Contract)	COMEX -SILVER (July Contract)
19 June 2006	15409	997.0
20 June 2006	15714	1027.0
21 June 2006	16059	1042.0
22 June 2006	15799	1021.0
23 June 2006	15811	1028.5
24 June 2006	15792	****

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

Date	COMEX -GOLD (Aug Contract)	NCDEX-GOLD (July Contract)
19 June 2006	572.40	8591
20 June 2006	580.50	8668
21 June 2006	591.00	8838
22 June 2006	585.40	8786
23 June 2006	588.00	8810
24 June 2006	*****	8788

## 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 precious metals saw some range bound movements this week in search of direction. Strength in greenback on interest rate hike expectations capped the upward movements in precious metals. However, firmness in crude oil prices kept supporting the metal throughout the week.

The crude oil prices remained slightly warm during the period despite hefty stocks of crude oil in the largest economy. Disruptions to output in Louisiana and threats from Iran to use oil as a weapon heated the crude oil prices. Talks that china is likely to import crude from Saudi Arabia in bulk for its reserves gave warmth to the oil prices. Further, as hurricane season is on, the supply concerns are increasing and the same is being factored in the prices. 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. Crude for July delivery closed at \$70.87 a barrel on the New York Mercantile Exchange, up 67 cents for the period, meanwhile it traded in the range of \$68.8-71.30 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 at the same time downside potential is also limited.

The greenback traded firm against its major counterparts as the currency markets expected further quarter to half percentage point hike in interest rates by Fed on its next meeting. The expectations got their wings after recent upward revision in core consumer inflation forecast. The

Fed is expected to tighten interest rates by another quarter-percentage point to 5.25% this Thursday, although there's speculation that the Fed may hike by 50 basis points. Some analysts are also expecting a hawkish tone in the accompany statement as the central bank tries to fend off inflation and rebuild the bank's inflation-fighting credibility. Meanwhile, hawkish comments from ECB to increase interest rates made the sentiments mixed, as Bank of Japan is also preparing for increase in interest rates shortly. The fate of the currency (dollar) depends on the accompanying statement from Fed after the meeting.

Thus, slight recovery in the greenback on some healthy economic data and expectations of further hike in interest rate, alongwith warmth in the crude oil prices kept the yellow metal dancing in a range last week. Gold for August delivery on the New York Mercantile Exchange traded in the range of \$568.3-598.3 during the week before closing at \$588 per ounce at a marginal gain of \$6.3 (1.1%). Similarly, July gold at NCDEX also added marginally during the period. The contract accumulated Rs 65 at Rs 8788 during the period after trading in the range of Rs 85.6-8995. Similarly, the white metal futures for July delivery at NYMEX added 15.5 cents at \$10.285 an ounce. The futures traded in the range of 978.5-1065.5 cents per ounce during the period. Similarly, June silver at NCDEX closed up Rs 72 at Rs 15792 after trading in the range of Rs 15102-16350 during the period.

The precious metals market still seems directionless and is likely to trade range bound, as the vigor is absent in the market.

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, which indicate some bullish bias in the market sentiments. Close just above 9 days EMA favors bulls. Overall the indicators are depicting mixed sentiments in the market with slightly bullish bias.

**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.

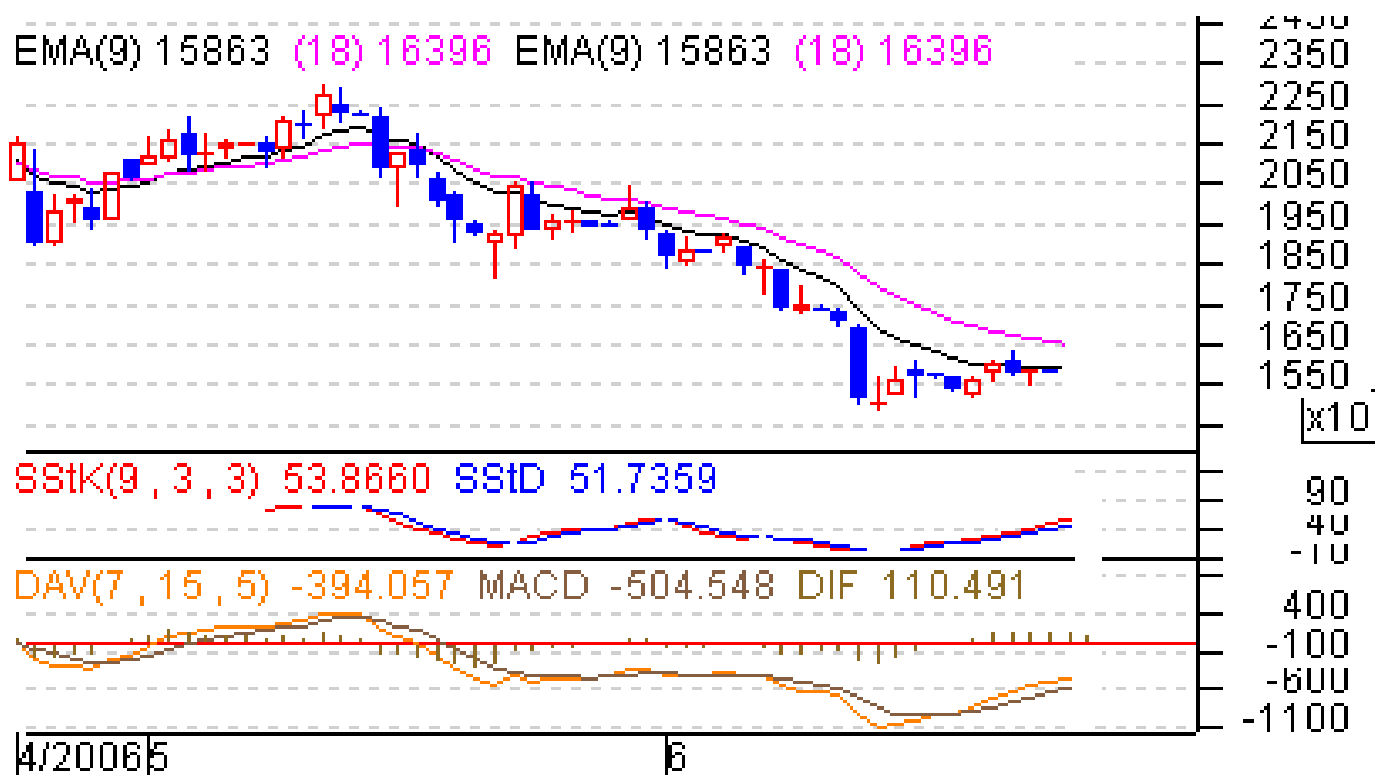
#### Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX Aug'06	562.4	550.2	608.1	624.9
NCDEX July'06	8579	8471	9028	9189

Commodity: SILVER

Contract: NCDEX July Contract

Periodicity: Weekly



#### Technical Analysis

MACD is moving sluggishly above its signal line indicating weak bullish momentum. Stochastic is moving upward in the neutral region, which indicate some bullishness in the market sentiments. Close just 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	S-1	S- 2	R- 1	R - 2
NCDEX July'06	15273	14974	16222	16521

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