

MAJOR ACTIVITY HIGHLIGHTS

- Gold futures surged further higher during the holiday shortened week on weaker dollar and warming crude prices. Gold for August delivery on the New York Mercantile Exchange traded in the range of \$619.5-639.5 during the week before closing at \$634.8 per ounce at a gain of \$18.8 (3.05%). Similarly, July gold at NCDEX also added smartly during the period. The contract accumulated Rs 198 at Rs 9464 (2.1%) during the period after trading in the range of Rs 9260-9565.
- Silver futures slipped slightly towards the end of the week, shedding some of the initial gains. The white metal futures for September delivery at NYMEX added 48.5 cents (4.44%) at \$11.405 an ounce. The futures traded in the range of 1120-1164 cents per ounce during the period. Similarly, July silver at NCDEX closed up Rs 367 at Rs 17267 after trading in the range of Rs 16762-17619 during the period.
- The dollar tumbled to a one-month low versus the euro and a more than three-week low against the yen Friday after much weaker-than-expected payrolls data reinforced market expectations the Federal Reserve's interest-rate tightening campaign is coming to a close. The buck traded volatile during the week against its major counterparts. Euro traded weak during the initial part and touched the lows of \$1.27065 but the European currency recovered towards the end of the week and traded as high as 1.2860.
- The energy prices eased towards the end of the holiday-shortened week, after touching record high levels of \$75.78 per barrel mark during the mid week. Crude for July delivery closed at \$74.09 a barrel on the New York Mercantile Exchange, up 0.21% for the period, meanwhile it traded in the range of \$75.78-73.38 per barrel.
- Inventories at U.S. wholesalers rise 0.8% in May while sales increase 1.6%, resulting in a record low inventory-to-sales ratio of 1.15.
- Nonfarm payrolls expanded by 121,000 in June, lower than the 174,000 expected by economists. The unemployment rate remained at 4.6%, in line with forecasts.

PRICES

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

Date	Delhi	London
03 July 2006	17283.20	1128
04 July 2006	17196.30	1123
05 July 2006	17493.30	1145
06 July 2006	17457.00	1131
07 July 2006	17696.25	1151
08 July 2006	17597.25	*****

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

Date	Mumbai0	London (am fix)	London (pm fix)
03 July 2006	9358.85	619.50	622.95
04 July 2006	***	620.90	622.00
05 July 2006	***	625.75	623.00
06 July 2006	9396.05	623.75	626.00
07 July 2006	9496.55	631.00	631.50
08 July 2006	9496.55	*****	*****

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (July Contract)	COMEX -SILVER (Sept Contract)
03 July 2006	17145	***
04 July 2006	17074	***
05 July 2006	17247	1141.5
06 July 2006	17567	1158.5
07 July 2006	17297	1140.5
08 July 2006	17273	****

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

Date	COMEX -GOLD (Aug Contract)	NCDEX-GOLD (July Contract)
03 July 2006	***	9389
04 July 2006	***	9330
05 July 2006	629.7	9422
06 July 2006	636.3	9552
07 July 2006	634.8	9474
08 July 2006	***	9464

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 surged during the week as burning crude oil prices, geopolitical uncertainties and volatility in greenback kept the demand for the precious metals on higher side. Also, Missile test by North Korea added further fuel to the fire. The yellow metal however saw some small dip in the prices towards the end of the week as crude prices eased on the news of Easing Iranian situation.

The crude oil prices remained hot during the period on supply concerns. The hurricane season is on and fears are there that of supply shortages in case gulf coast is hit by it. Further, tensions in Nigeria are still going on. However, the crude prices eased slightly towards the end of the week, when Iranian situation seemed easing after Iran's chief nuclear negotiator, Ali Larijani, said late Friday that following talks with European Union officials, he feels positive about the western incentive package. Crude for July delivery closed at \$74.09 a barrel on the New York Mercantile Exchange, up 0.21% for the period, meanwhile it traded in the range of \$75.78-73.38 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 slipped sharply during the week against its major counterparts as the interest rate scenario seemed changing against the currency. The dollar fell Thursday after comments from ECB President Jean-Claude Trichet fueled expectations that the bank would raise interest rates more aggressively than expected. Most economists expect the ECB to raise interest rates by 25 basis points on August 3 after leaving rates unchanged at 2.75% unchanged Thursday. Further the currency got some more hammering on Friday and it tumbled to a one-month low versus the euro and a more than three-

week low against the yen after much weaker-than-expected payrolls data reinforced market expectations the Federal Reserve's interest-rate tightening campaign is coming to a close. Euro traded weak during the initial part and touched the lows of \$1.27065 but the European currency recovered towards the end of the week and traded as high as 1.2860. On one side dollar based interest rate is expected to come to a halt, where as on the other side ECB is expected to hike interest rate, which might narrow the interest rate advantage of greenback. Thus, the currency seems to be on downward pressure.

Thus, weakness in the greenback, on interest rate outlook and some poor economic data, alongwith warmth in the crude oil prices pushed the yellow metal prices higher during the week. Further, the geopolitical tensions added further fuel to the fire after North Korea tested missiles. Gold for August delivery on the New York Mercantile Exchange traded in the range of \$619.5-639.5 during the week before closing at \$634.8 per ounce at a gain of \$18.8 (3.05%). Similarly, July gold at NCDEX also added smartly during the period. The contract accumulated Rs 198 at Rs 9464 (2.1%) during the period after trading in the range of Rs 9260-9565. Silver followed gold and closed the week with some good gains. The white metal futures for September delivery at NYMEX added 48.5 cents (4.44%) at \$11.405 an ounce. The futures traded in the range of 1120-1164 cents per ounce during the period. Similarly, July silver at NCDEX closed up Rs 367 at Rs 17267 after trading in the range of Rs 16762-17619 during the period.

The precious metals' (gold and silver) market is likely to trade slightly volatile with bullish bias.

Commodity: GOLD

Contract: NCDEX JULY Contract (NCGLKN6)

Term: Short-term (Weekly)



Technical Analysis:

MACD has turned flat and showing weakness in bullish momentum. Stochastic is giving bearish signal in the overbought zone. However, close above 9 days and 18 days EMA favors bulls. Overall the indicators are depicting mixed sentiments.

Recommendation: The prices are likely to show some consolidation before recovery. Buy on dips.

Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX Aug'06	618.6	611.6	643.6	650.8
NCDEX July'06	9313	9240	9618	9728

Commodity: SILVER

Contract: NCDEX July Contract

Periodicity: Weekly



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Support and resistance Levels

Contract	S-1	S-2	R-1	R-2
NCDEX July'06	16890	16684	17541	18055

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