

## MAJOR ACTIVITY HIGHLIGHTS

- Gold futures closed higher on the last trading day of the week, rallying to over \$660 an ounce, as violence between Israel and Lebanon drove crude oil prices to unprecedented highs, fuelling safe-haven demand for gold. Gold for August delivery finished up \$13.60 at \$668.0 an ounce on the New York Mercantile Exchange, its highest closing level since May 23. The yellow metal gained 5.2% this week. Similarly, August gold at NCDEX also added smartly during the period. The contract accumulated Rs 571 at Rs 10127 (5.9%) during the period after trading in the range of Rs 9410-10145.
- Silver futures at NYMEX followed movements in gold sluggishly in the upward direction and added modestly during the period. The white metal futures for September delivery at NYMEX added mere 12.5 cents (1.09%) at \$11.53 an ounce. The futures traded in the range of 1093-1182 cents per ounce during the period. Similarly, July silver at NCDEX closed up Rs 463 at Rs 17966 after trading in the range of Rs 16900-18158 during the period.
- The dollar recovered smartly during the period on safe heaven investment demand as geopolitical situation aggravated. The buck traded firm during the week against its major counterparts. Euro weakened during the period against the greenback and slipped to \$1.2648 on Friday as compared to 1.2835 levels last week. Dollar also strengthened against the Japanese currency and traded as high as 116.37 Yen before closing the week at 116.1 Yen per dollar against 114.67 yen per dollar during last week end.
- The energy prices jumped to the record high levels this wee as the geopolitical situation worsened during the period. Crude for July delivery closed at \$77.03 a barrel on the New York Mercantile Exchange on the last trading day of the week, up 3.96% for the period, meanwhile it traded in the range of \$72.90-78.40 per barrel.
- U.S. consumer sentiment fell unexpectedly in July, the UMich consumer-sentiment index fell to 83.0 points in July from 84.9 in June. Economists were expecting the July index to rise to 85.3. U.S. retail sales slipped down 0.1% for July, it was the second straight month of narrow retail sales. Sales rose 0.1% in May.
- U.S. jobless claims rose by 19,000 in the latest week to 332,000, the highest since May 27. The four-week moving average of new claims, meanwhile, rose by 8,750 to 317,250. Supported by a surge of corporate and individual tax receipts the U.S. federal government ran a \$20.5 billion surplus in June on..

## PRICES

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

Date	Delhi	London
10 July 2006	17176.50	****
11 July 2006	17443.80	****
12 July 2006	17985.35	****
13 July 2006	17943.75	****
14 July 2006	17935.10	****
15 July 2006	17899.20	****

**Silver Futures (Rs/Kg)**

Date	NCDEX -SILVER (July Contract)	COMEX -SILVER (Sept Contract)
10 July 2006	17088	1111.00
11 July 2006	17688	1155.00
12 July 2006	17733	1155.50
13 July 2006	17752	1148.50
14 July 2006	17849	1153.00
15 July 2006	17966	****

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

Date	Mumbai0	London (am fix)	London (pm fix)
10 July 2006	9406.10	****	****
11 July 2006	9501.55	****	****
12 July 2006	9747.75	****	****
13 July 2006	9839.45	****	****
14 July 2006	9993.25	****	****
15 July 2006	10049.25	****	****

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

Date	COMEX -GOLD ( Aug Contract)	NCDEX-GOLD (July Contract)
10 July 2006	626.1	9456.00
11 July 2006	643.1	9668.00
12 July 2006	651.2	9784.00
13 July 2006	654.4	9873.00
14 July 2006	668.0	10076.00
15 July 2006	***	10127.00
		****

## 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 precious metals saw surged during the week to record high levels despite strong greenback, as burning crude oil prices, geopolitical uncertainties kept the demand for the precious metals on higher side. The yellow metal however was the leader during the period, whereas white metal followed it sluggishly in the upward direction.

The crude oil prices climbed to astronomical high levels during the period on supply concerns due to geopolitical tensions and lower U.S. stock levels. The traders continued to nervously eye developments in the Middle East and fret that the conflict may spread beyond Israel and Lebanon. Further, The Energy Department surprised the market last week with a report showing crude supplies down 6 million barrels for the week ended July 7. Analysts had expected a decline of around 2 million. Crude for July delivery closed at \$77.03 a barrel on the New York Mercantile Exchange on the last trading day of the week, up 3.96% for the period, meanwhile it traded in the range of \$72.90-78.40 per barrel.

The hurricane season is on and fears are there that supply shortages in case gulf coast is hit by it. Further, tensions in Middle East are still going on. The prices are at very high levels and are likely to remain hot if the geopolitical situation doesn't improve.

The greenback recovered smartly during the week against its major counterparts as the safe heaven buying interest in the currency due to current geopolitical situation supported it, even the increase in key interest rates by BoJ couldn't stop it. The yen remained under pressure after the Bank of Japan raised interest rates to 0.25% for the first time in nearly six years last Friday, while signaling that rates will remain low for some time. Meanwhile, the dollar is

expected to draw strength from Fed Chairman Bernanke's testimony on Wednesday and Thursday as market attention refocuses on U.S. interest-rate expectations. Euro weakened during the period against the greenback and slipped to \$1.2648 on Friday as compared to 1.2835 levels last week. Dollar also strengthened against the Japanese currency and traded as high as 116.37 Yen before closing the week at 116.1 Yen per dollar against 114.67 yen per dollar during last weekend.

Thus, the current geopolitical situation is underpinning the yellow metal and the white metal is sluggishly following its leader. Even stronger greenback couldn't stop the rally in gold. Gold for August delivery finished up \$13.60 at \$668.0 an ounce on the New York Mercantile Exchange, its highest closing level since May 23. The yellow metal gained 5.2% this week. Similarly, August gold at NCDEX also added smartly during the period. The contract accumulated Rs 571 at Rs 10127 (5.9%) during the period after trading in the range of Rs 9410-10145. The reaction in the white metal is rather subdued than normal and the metal futures added moderately during the period. The white metal futures for September delivery at NYMEX added mere 12.5 cents (1.09%) at \$11.53 an ounce. The futures traded in the range of 1093-1182 cents per ounce during the period. Similarly, July silver at NCDEX closed up Rs 463 at Rs 17966 after trading in the range of Rs 16900-18158 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)



MACD has turned flat and showing weakness in bullish momentum. Stochastic is giving slightly 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	635.06	623.70	670.8	682.10
NCDEX July'06	9614	9438	10171	10349

Commodity: SILVER

Contract: NCDEX July Contract

Periodicity: Weekly



#### Technical Analysis

MACD has turned flat and showing weakness in bullish momentum. Stochastic is giving slightly 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	S-1	S-2	R-1	R-2
NCDEX July'06	17196	16894	18152	18454

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