

MAJOR ACTIVITY HIGHLIGHTS

- Gold futures surged steadily higher during the week as higher crude prices and geopolitical uncertainties kept underpinning the metal. Gold for August delivery settled up \$2.30 at \$634.80 on the New York Mercantile Exchange on the last trading day of the week, a gain of 2.4% on the week. The contract traded volatile in the range of \$602.5-641 during the period. Similarly, August gold at NCDEX also traded quite volatile in the range of Rs 9321-9732 before closing the week with a gain of Rs 135 (1.4%) at Rs 9676.
- Silver futures at NYMEX followed movements in gold and added smartly during the period. The white metal futures for September delivery at NYMEX added 52 cents (4.79%) at \$11.365 an ounce. The futures traded in the range of 1068-1152 cents per ounce during the period. Similarly, July silver at NCDEX closed up Rs 659 at Rs 17671 after trading in the range of Rs 16775-17780 during the period.
- The dollar traded volatile during the week on changing expectations about interest rate hike and currency's interest rate advantage, some mixed economic data also imparted volatility to the greenback. Dollar traded firm during the first half of the week and then it slipped against its major counterparts towards the end of the week. Euro managed to close the week with gains against dollar at \$1.2758 after trading in the range of \$1.2558-1.27705. Dollar also weakened against the Japanese currency and traded as low as 114.60 Yen on the last trading day of the week.
- The energy prices remained volatile during the period on the changing geopolitical situation. Crude for July delivery surged to the highs of \$75.78 during early part of the week and then slipped to the lows of \$72.8 towards the end of the week. The contract closed with moderate loss of \$1.19 at \$73.24 per barrels.
- U.S. factory activity picks up unexpectedly in July, the ISM index inched up to 54.7% vs 53.8% in June.
- The largest economy slowed in the Q2, growing at a real 2.5% annual rate after a huge 5.6% pace in the Q1. Sales of new homes in U.S. fell 3% in June, while prior months data revised lower. The seasonally adjusted annualized rate of 1.13 million new homes sold in June was below the market estimate of 1.16 million.
- U.S. compensation costs rose 0.9% in the second quarter, more than expected 0.8% increase in the employment cost index.
- Demand for U.S.-made durable goods rose 3.1% in June, led by a surge in demand for defense goods

PRICES

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

Date	Delhi	London
24 July 2006	17087.40	1074
25 July 2006	17325.00	1101
26 July 2006	17235.30	1090
27 July 2006	17504.85	1122
28 July 2006	17682.50	1134
29 July 2006	17638.50	***

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

Date	Mumbai0	London (am fix)	London (pm fix)
24 July 2006	9437.90	616.4	605.7
25 July 2006	9496.55	618.75	618.75
26 July 2006	9446.30	617.75	614.3
27 July 2006	9607.10	634.2	639
28 July 2006	9587.00	631.25	637.1
29 July 2006	9587.00	***	***

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (Aug Contract)	COMEX -SILVER (Sept Contract)
24 July 2006	17147	1092.0
25 July 2006	17160	1094.5
26 July 2006	17294	1108.0
27 July 2006	17649	1139.0
28 July 2006	17661	1136.5
29 July 2006	17671	****

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

Date	COMEX -GOLD (Aug Contract)	NCDEX-GOLD (Aug Contract)
24 July 2006	613.2	9455
25 July 2006	618.0	9502
26 July 2006	621.9	9540
27 July 2006	632.5	9660
28 July 2006	634.8	9677
29 July 2006	****	9676

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 remained volatile during the period in search of direction as swinging sentiments in currency markets and mixed economic data kept confusing the market. The metals finally managed to close the week with moderate gains. With volatile energy and currency markets the metals traded mostly directionless during the period. The yellow metal however was the leader during the period, whereas white metal followed it in both the direction.

The crude oil prices climbed to astronomical high levels during the earlier part of the period in sympathy with the gasoline prices, as stocks of the later declined. The crude oil stocks however remained steady during the period. The traders continued to nervously eye developments in the Middle East. In the absence of any disruptions to the supply line the market took slight breather and the prices slipped slightly, however, the extent of correction was checked by the continued violence in Middle East. Crude for July delivery surged to the highs of \$75.78 during early part of the week and then slipped to the lows of \$72.8 towards the end of the week. The contract closed with moderate loss of \$1.19 at \$73.24 per barrels.

The lingering supply fears is likely to keep the prices on the higher side with Iran rejecting United Nation's proposal to stop Uranium enrichment. Further, hurricane season is on and fears are there that supply shortages in case gulf coast is hit by it. Extremely hot weather conditions in U.S. are also a matter of concern as it is increasing the energy demand. The prices are at very high levels and thus volatility is likely depending upon the supply situation and geopolitical scene.

The forthcoming Fed meeting in August 8 was the main focus for the currency markets and thus the greenback fluctuated according to the interest rate expectations. Dollar

traded firm during the first half of the week and then it slipped against its major counterparts towards the end of the week. Euro managed to close the week with gains against dollar at \$1.2758 after trading in the range of \$1.2558-1.27705. Dollar also weakened against the Japanese currency and traded as low as 114.60 Yen on the last trading day of the week. The currency market is divided on interest rate outlook. Boosted by some strong economic data during the week and high inflation rate prevailing in the largest economy, Fed is likely to raise interest rate for yet another time. However, slowing economic growth would prove to be detrimental for the same. Interestingly, ECB and BOJ are also expected to hike the key interest rates. It will be interesting to see the net impact of such a scenario.

Thus, the current geopolitical situation, higher crude prices and volatile dollar were all there to direct the yellow metal. Gold for August delivery settled up \$2.30 at \$634.80 on the New York Mercantile Exchange on the last trading day of the week, a gain of 2.4% on the week. The contract traded volatile in the range of \$602.5-641 during the period.

Similarly, August gold at NCDEX also traded quite volatile in the range of Rs 9321-9732 before closing the week with a gain of Rs 135 (1.4%) at Rs 9676. The reaction in the white metal was also similar. The white metal futures for September delivery at NYMEX added 52 cents (4.79%) at \$11.365 an ounce. The futures traded in the range of 1068-1152 cents per ounce during the period. Similarly, July silver at NCDEX closed up Rs 659 at Rs 17671 after trading in the range of Rs 16775-17780 during the period.

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

Commodity: GOLD

Contract: NCDEX Aug Contract (NCGLKN6)

Term: Short-term (Weekly)



Technical Analysis

MACD is turning upward showing further improvement in the market momentum. Stochastic is giving bullish signal. Close just above 9 days and 18 days EMA favors bulls. Overall the indicators are depicting positive sentiments.

Recommendation: The prices are likely to show improvement from hereon some tentativeness can be seen at higher levels. Remain long with caution.

Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX Aug'06	626.1	611.5	663.8	688
NCDEX Aug'06	9576	9420	9987	10242

Commodity: SILVER

Contract: NCDEX Aug Contract

Periodicity: Weekly



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Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX Aug'06	17600	17408	19047	19200

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