

MAJOR ACTIVITY HIGHLIGHTS

- Gold futures showed volatile movements during the week before finally closing with losses. The yellow metal slipped towards the end of the week after dollar strengthened on narrow trade gap data and oil prices eased. Gold for October delivery settled down \$11.5 at \$638.1 on the New York Mercantile Exchange, a loss of 1.77% on the week. The contract traded volatile in the range of \$630.5-660.0 during the period. Similarly, September gold at NCDEX also traded quite volatile in the range of Rs 9712-9997 before closing the week with a loss of Rs 185 (1.86%) at Rs 9715.
- Silver futures at NYMEX showed roller coaster movements during the period before closing sharply down on the last trading day of the week. The white metal futures for September delivery at NYMEX shed a good 60 cents (4.8%) at \$11.885 an ounce. The futures traded in the range of 1177-1270 cents per ounce during the period. Similarly, July silver at NCDEX closed down Rs 592 (3.06%) at Rs 18702 after trading in the range of Rs 18520-19669.
- The dollar recovered during the week as narrowed than expected trade deficit data improved the chances of further interest rate hike by the Fed. Earlier the Fed paused the interest rates at 5.25%, but it hinted for further hike in future. Euro managed to close the week with gains against dollar at \$1.2875 after trading in the range of \$1.2719-1.2908. Dollar however showed volatile movements against Yen and managed to close with modest losses. Dollar closed the week slightly weak at 114.42 Yen as against 114.6 during the earlier week.
- The energy prices slipped on easing supply concerns as BP expected to keep open half the production in Prudhoe Bay oil field. Crude for September delivery closed the week with a loss of 0.5% at \$74.35 per barrel mark. Meanwhile the contract traded in the range of \$73.75-77.45.
- U.S. retail sales increased at the fastest pace in six months in July, rising 1.4% on higher auto and gasoline sales. The U.S. trade deficit narrowed 0.3% to \$64.8 billion in June after upward revision of May deficit to \$65 million. The economists were expecting deficit to widen to \$64.5 billion from the initial May reading of \$63.8 billion.
- The Federal Reserve has turned off its path of interest rate hikes for the first time in 25 months and kept the interest rates at 5.25% levels, though it kept open the chances of further hike in future.
- Non-farm productivity in U.S. increased at a 1.1% annual rate in the second quarter against 0.9% predicted by the economists. Unit labor costs – a key inflation gauge – increased 4.2% in the nonfarm business sector during the second quarter. Economists were expecting unit labor costs to rise 3.5%. The largest economy added lower than expected 113,000 nonfarm jobs in July, the economists were expecting it to add 143000 jobs. The unemployment rate rose to 4.8%, its highest level since February.

PRICES

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

Date	Delhi	London
07 Aug 2006	18867.15	1245.0
08 Aug 2006	18580.10	1213.0
09 Aug 2006	*****	1226.5
10 Aug 2006	19235.70	1243.0
11 Aug 2006	18830.90	1227.5
12 Aug 2006	18443.70	*****

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

Date	Mumbai0	London (am fix)	London (pm fix)
07 Aug 2006	9851.15	647.25	649.75
08 Aug 2006	9824.95	645.40	646.00
09 Aug 2006	9770.40	640.50	649.00
10 Aug 2006	9869.35	650.50	644.75
11 Aug 2006	9742.75	641.55	644.50
12 Aug 2006	9647.30	*****	*****

Silver Futures (Rs/Kg)

Date	NCDEX -SILVER (Aug Contract)	COMEX -SILVER (Sept Contract)
07 Aug 2006	19071	1226.5
08 Aug 2006	19027	1226.0
09 Aug 2006	19466	1257.0
10 Aug 2006	18903	1210.5
11 Aug 2006	18684	1188.5
12 Aug 2006	18703	*****

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

Date	COMEX -GOLD (Oct Contract)	NCDEX-GOLD (Aug Contract)
07 Aug 2006	653.1	9909
08 Aug 2006	650.9	9878
09 Aug 2006	655.5	9961
10 Aug 2006	639.7	9751
11 Aug 2006	638.1	9727
12 Aug 2006	*****	9715

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 maintained its recent volatile movements during the week, but stronger dollar and weaker crude finally weighed on the safe heaven buying of gold. The yellow metal shed heavily towards the end of the week as strong dollar after favorable trade deficit data hammered it down. The white metal took its cue from gold and finished the week with some good losses.

The crude oil prices cooled off during the period after trading volatile earlier as the supply concerns eased a bit. One of the largest producer of oil in US, BP eased some concerns on supply front by saying that it would keep open half of the Prudhoe Bay oil field open while replacing pipeline. It was earlier expected to shut the entire production for a month or so. The news hammered the prices down. Thwarted terror plot in UK raise concerns that the oil demand might drop due to possibility of fall in air travels, which in turn eased the oil prices. Further, Israel Lebanon situation seemed easing with Israel accepting cease-fire. Meanwhile, the case of kidnapping of foreign oil workers in Nigeria kept underpinning the prices. Among such a mixed scenario the crude oil priced slipped slightly during the week. Crude for September delivery closed the week with a loss of 0.5% at \$74.35 per barrel mark. Meanwhile the contract traded in the range of \$73.75-77.45. If the situation improves further, the prices are likely to come to more comfortable levels. However, the hurricane season and tensions in Nigeria will be there to support the prices from falling sharply. The prices are still at very high levels and thus volatility is likely depending upon the supply situation and geopolitical scene.

Dollar slipped earlier during the early part of the week as Fed paused the interest rate at the current levels of 5.25%. But the currency bounced back towards the end after the

favorable trade deficit data hinted for further hike in interest rate by Fed. The dollar rose to two-week highs versus the euro and yen Friday after U.S. economic data showed retail sales increasing at the fastest pace in six months. Late in New York, the euro stood at \$1.2728, compared with \$1.2792 late Thursday. It had earlier weakened to \$1.2713, the lowest level since July 28. The dollar rose to 116.43 yen, the highest level since July 26. It last changed hands at 116.26 yen, compared with 115.27 yen. Inflation data in the forthcoming week is likely to give a proper direction to the currency market including dollar.

Thus, the improving situation in Israel-Lebanon conflict after UN's interference, easing crude prices and stronger dollar were all there to pressure the yellow metal towards the end of the week. Gold for October delivery settled down \$11.5 at \$638.1 on the New York Mercantile Exchange, a loss of 1.77% on the week. The contract traded volatile in the range of \$630.5-660.0 during the period. Similarly, September gold at NCDEX also traded quite volatile in the range of Rs 9712-9997 before closing the week with a loss of Rs 185 (1.86%) at Rs 9715. Taking its cue from the yellow metal, the white metal futures for September delivery at NYMEX shed a good 60 cents (4.8%) at \$11.885 an ounce. The futures traded in the range of 1177-1270 cents per ounce during the period. Similarly, July silver at NCDEX closed down Rs 592 (3.06%) at Rs 18702 after trading in the range of Rs 18520-19669 during the period.

The precious metals' (gold and silver) market is expected to continue to remain volatile in the current uncertain world of

currency and energy. Inflation data and geopolitical

situation would be key for the precious metals.

Commodity: GOLD

Contract: NCDEX Sept Contract (NCGLKN6)

Term: Short-term (Weekly)



Technical Analysis

Gold charts are projecting slightly weaker sentiments in the metals at the moment. The MACD is running downwards in the negative territory suggesting increase in bearish momentum. Stochastic is also heading southwards in the neutral region. Thus, momentum studies and oscillators both are favoring the gold bears at the moment. **Recommendation:** The prices are likely to recover after initial weakness; buy on dips.

Support and resistance Levels:

Contract	S1	S2	R1	R 2
COMEX Oct'06	624.0	613.9	661.0	671.8
NCDEX Sept'06	9631	9528	9984	10087

Commodity: SILVER

Contract: NCDEX Sept Contract

Periodicity: Weekly



Technical Analysis

Silver charts seem inclined towards the bearish side. The momentum studies and oscillators are in favor of bears. However, medium term trend seems still bullish with close above 18-day EMA. Volatility with is likely in price movements.

Recommendation: The prices are likely to show some volatility buy on dips.

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
NCDEX Sept'06	18251	17837	19400	19676

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