

MAJOR ACTIVITY HIGHLIGHTS

- Gold prices slipped further during the week hammered by heavy gold sales by ECBs and ETFs. Firmness in greenback against major counterparts also supported the prices. Comex June gold finished the week with a loss of \$6.7 (1%) at \$655.3 per ounce. The contract traded as low as \$651.5 on Thursday. MCX June gold ended the session at Rs 8644 per 10gm on Friday.
- Silver witnessed continued weakness during most part of the week in the domestic markets, whereas at Comex the silver futures closed the week at almost no change levels. Silver for July delivery shed mere 3 cents to close at \$13.0 an ounce. July silver at MCX settled at Rs 17865 per kg on Friday.
- Continued gold sales by European central banks to take advantage of lofty prices are flooding the market with excess supply. The Bank of Spain sold 2.6 million ounces of gold from its reserves in March and April.
- The total gold and gold receivables held by Euro zone central banks fell by surprising 1.46 billion euros since beginning of April according to ECB data.
- Heavy gold sales by investment funds are being seen these days. US gold Exchange Traded Fund, Street Tracks has sold over 30 tonnes of gold since the middle-of-April.
- Iran is continuing to defy the UN's demands to stop enriching uranium and is expanding the work according to the recent IAEA reports. Iran is also blocking IAEA's efforts to investigate suspicious nuclear activities.
- Gold demand increased 22% in dollar terms to 173.77 million dollars and 4% in tonnage to 831.7 tonnes in Q1 2007 as compared to demand in first quarter of 2006.
- South Africa's small Solidarity mining union has demanded a 20% wage hike from the country's three major gold producers. Union demands are being handed to the Chamber of Mines, which negotiates on behalf of AngloGold Ashanti Ltd, Gold Fields Ltd and Harmony Gold Mining Company Ltd.
- In Nigeria, militants kidnapped six oil workers in the country's main oil-producing region Friday.
- Nymex WTI crude futures for July delivery ended the week at \$65.20 a barrel, down 78 cents (1.1 per cent) for the week. The contract saw a low of \$63.82 on Thursday. MCX June delivery contract ended on Friday at Rs 2,636 per barrel.

PRICES

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

Date	Delhi	London
21 May 2007	17849.90	1293.00
22 May 2007	17956.50	1307.00
23 May 2007	17791.20	1296.00
24 May 2007	17898.55	1304.00
25 May 2007	17698.15	1292.50
26 May 2007	17790.75	****

Silver Futures

(COMEX-Cents/Ounce; NCDEX- Rs/Kg)

Date	MCX -SILVER (MAY Contract)	COMEX -SILVER (MAY Contract)
21 May 2007	18130.00	1313.00
22 May 2007	17920.00	1299.00
23 May 2007	18032.00	1310.50
24 May 2007	17812.00	1292.00
25 May 2007	17865.00	1300.00
26 May 2007	17924.00	*****

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

Date	Mumbai	London (am fix)	London (pm fix)
21 May 2007	8737.75	662.40	658.00
22 May 2007	8756.65	663.50	662.00
23 May 2007	8716.65	659.20	662.05
24 May 2007	8730.00	661.50	659.00
25 May 2007	8650.00	655.00	655.30
26 May 2007	8665.00	****	****

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

Date	MCX -GOLD (April Contract)	COMEX-GOLD (April Contract)
21 May 2007	8780.00	663.80
22 May 2007	8724.00	659.90
23 May 2007	8734.00	662.60
24 May 2007	8642.00	653.30
25 May 2007	8644.00	655.30
26 May 2007	8653.00	****

GOLD DEMAND STATISTICS (LATEST)

Particulars	2005	2006	% Change 2006vs05	Q1'64	Q1206	Q3'06	Q4'06	Q107	% Change Q1'07 vs. Q1'06
Demand (Tonnes)									
Jewellery fabrication	2707.2	2279.3	-16	488.0	522.8	557.9	710.7	572.8	17
Industrial and dental	426.7	451.5	6	110.7	113.6	113.5	113.6	111.8	1
Net retail investment	386.7	389.5	1	86.2	89.8	104.9	108.6	110.7	28
Exchange Traded Funds And Similar	208.1	260.2	25	112.9	48.9	19.2	79.1	36.4	-68
Total identifiable demand	3728.7	3380.4	-9	797.8	775.1	795.5	1012.0	831.7	4
Demand (\$ m)									
Jewellery fabrication	38684	44245	14	8693	10550	11,151	14,011	11,968	38
Industrial and dental	6097	8764	44	1973	2293	2269	2239	2335	18
Net retail investment	5,526	7,561	37	1,535	1,813	2,096	2,141	2,314	51
Exchange Traded Funds And Similar	2,973	5,050	70	2,011	986	384	1,560	760	-62
Total identifiable demand	53,281	65,620	23	14,212	15,642	15,901	19,952	17,377	22

Source: WGC

FUNDAMENTAL ANALYSIS

Bullions continued to lose shine during the week starting 21st May 2007, as firmness in greenback and surging stock markets faded the attractiveness of investment in precious metals. Heavy gold sales by ECBs also kept the yellow metal prices under pressure despite strong fundamentals.

Fundamentals still remains strong as mine supply is shrinking and jewellery demand is robust. However, continued gold sales by European central banks to take advantage of lofty prices are flooding the market with excess supply. The Bank of Spain sold 2.6 million ounces of gold from its reserves in March and April. The total gold and gold receivables held by Euro zone central banks fell by surprising 1.46 billion euros since beginning of April according to ECB data.

Among the other reasons behind recent decline in gold prices are, heavy sales by investment funds and a seasonal slowdown in physical buying as India's wedding season winds down. US gold Exchange Traded Fund, Street Tracks has sold over 30 tonnes of gold since the middle-of-April.

Meanwhile, safe heaven buying on geopolitical tensions over Iran's nuclear issue and North Korean

missile tests supported the prices of bullion to some extent. Iran is continuing to defy the UN's demands to stop enriching uranium and is expanding the work according to the recent IAEA reports.

Comex June gold finished the week with a loss of \$6.7 (1%) at \$655.3 per ounce. The contract traded as low as \$651.5 on Thursday. Silver however took its cues from copper and closed the week with at almost no change levels. Silver for July delivery shed mere 3 cents to settle at 1300 cents per ounce. MCX June gold ended the session at Rs 8644 per 10gm on Friday, while July silver finished at Rs. 17865 per kg.

Crude oil retreated some of the gains of the previous week as comfortable stock positions finally took its toll on the prices. Slight bounce back on the last trading day of the week on supply concerns in Nigeria was not enough to make up for the earlier losses of the week. Energy markets are at the crucial phase demand and supply are both expected to surge in the coming days. Crude supplies are in comfortable position at the same time gasoline supplies are improving, whereas demand is also expected to surge with the start of peak driving season. Further, the hurricane season is forecasted to be active one this year. Any threat to supplies either from refinery

outages or from geopolitical tensions would prove costly in such a situation. Crude supplies rose for the fifth consecutive week by 2 million barrels for the week ended May 18, according to the Energy Department report. The total supplies were up 0.1% from year ago at 344.2 million barrels. Motor gasoline supplies also climbed 1.5 million barrels for the week to 196.7 million barrels, thanks to increased refinery

utilization and imports. Refinery utilization climbed to 91.1% of capacity last week against 89.5% a week earlier. Nymex WTI crude futures for July delivery ended the week at \$65.20 a barrel, down 78 cents (1.1 per cent) for the week. The contract saw a low of \$63.82 on Thursday. MCX June delivery contract ended on Friday at Rs 2,636 per barrel.

Commodity: GOLD

Contract: MCX June Contract

Term: Short-term (Weekly)



Technical Analysis

Charts continue to project bearish picture of gold. The prices closed below short term EMAs suggests weakness in the market. Falling MACD has turned flat in negative territory. Stochastic and RSI are supporting bears but are in oversold region.

Support and resistance Levels:

Contract	S1	S2	R1	R2
MCX June 07	8573	8503	8794	8876

Recommendation: Remain short with caution; Buy only on recovery above 8733.

Commodity: SILVER

Contract: MCX July Contract

Periodicity: Weekly



Technical Analysis

Silver charts are showing bearish sentiments in the market. The prices closed below short term EMAs suggests weakness in the market. MACD is running flat in negative region. Stochastic and RSI are in favour of bears in oversold region, which warrants caution on the part of bears.

Recommendation: Remain short with caution; Buy only on recovery above Rs 17936 levels

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
MCX July'07	17530	17320	18325	18537

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